
U.S. Environmental Protection Agency, Region 10



Clean Water

State Revolving Fund

Washington Program Evaluation Report

State Fiscal Year 2012

September 2013



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10**

1200 Sixth Avenue, Suite 900
Seattle, WA 98101-3140

OFFICE OF
WATER AND WATERSHEDS

SEP 12 2013

Mr. Kelly Susewind, Manager
Water Quality Program
Washington Department of Ecology
P.O. Box 47600
Olympia, Washington 98504-7600

Dear Mr. Susewind:

Enclosed is the U.S. Environmental Protection Agency (EPA) Program Evaluation Report for the Washington Clean Water State Revolving Fund (CWSRF) for State Fiscal Year 2012. Our review found that the Washington Department of Ecology (Ecology) continues to manage and implement an effective CWSRF program even as the Fund grows and the program adjusts to new policies and requirements.

The EPA was impressed with the CWSRF program's marketing plan to address low demand, which Ecology identified last year as a programmatic risk. The marketing plan's analysis and identification of potential actions demonstrates strategic thinking and creative problem solving. We have identified it as a Best Practice.

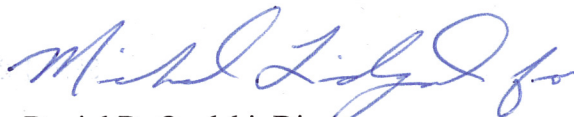
The projects reviewed this year were found to largely comply with the programmatic, technical, and financial requirements. The EPA initially found some gaps in the green project reserve documentation and reporting, but Ecology has already corrected these. Our financial analysis found that Ecology meets the financial requirements of the program, including timely and expeditious use of funds, binding commitments, and proper cash draw transactions.

There are a few minor items that require attention: comparing the Davis-Bacon federal wage determination with wages actually paid for the Yakima project and providing public notice of Ecology's reaffirmation of the Pullman and Yakima environmental determinations that were issued more than five years before CWSRF loan signature. We understand these actions are underway.

We greatly appreciate the cooperation of Jeff Nejedly, Financial Management Section Manager, Pat Brommer, Policy and Admin Unit Supervisor, Shelly McMurry, CWSRF Coordinator, Daniel Thompson, CWSRF Planner, and David Dunn, Engineer. Their experience and knowledge contribute to making Ecology's CWSRF a strong program.

If you have any questions, please call me at (206) 553-1855 or contact David Carcia, our Project Officer for the Washington Water Pollution Control Revolving Fund, at (206) 553-0890 or carcia.david@epa.gov.

Sincerely,

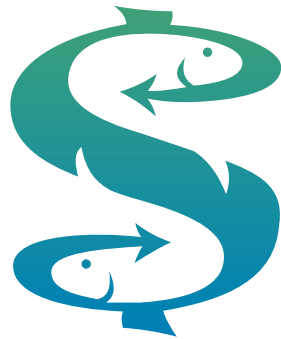
A handwritten signature in blue ink, appearing to read "Michael Lidger for".

Daniel D. Opalski, Director
Office of Water and Watersheds

Enclosure

cc: Mr. Jeff Nejedly, Ecology

U.S. Environmental Protection Agency, Region 10



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INTRODUCTION AND REVIEW METHODOLOGY

This report presents the Environmental Protection Agency (EPA) state fiscal year (SFY) 2012 annual evaluation of Washington's Clean Water State Revolving Fund program (CWSRF) administered by the Department of Ecology (Ecology). This report was guided by the draft Guidance for EPA's Annual Review of State Revolving Fund Programs, provided by the EPA's Office of Water November 9, 2012. EPA relied upon information from the following sources:

- 2008 Operating Agreement between the EPA and Ecology governing the administration of Washington's Clean Water State Revolving Fund;
- The grant agreements associated with each of the open EPA capitalization grants to Ecology;
- The Intended Use Plan (IUP) for the Washington Clean Water State Revolving Fund for SFY2012;
- Records of financial transactions maintained by the EPA and Ecology;
- The SFY2012 annual report submitted by Ecology;
- The SFY2012 Independent Financial Audit issued April 8, 2013;
- Two base program project file reviews completed May 13 – May 16, 2013.
 - Pullman (Loan L1200011) managed by the eastern regional office; and
 - Yakima (Loan L1200019) managed by the central regional office
- The on-site visit held June 11-13, 2013.

EPA conducted an American Recovery and Reinvestment Act of 2009 (ARRA) review during this on-site visit. We reviewed two additional project files and two additional cash draw transaction tests for ARRA projects. The ARRA review is documented in a separate PER, issued on August 1, 2013. EPA expects to conduct its final ARRA review during next year's on-site visit.

This report uses a more concise format than previous program evaluation reports. The text of the document focuses on appropriations requirements that have been varying from year to year, status of previous action items, selected items, cash draw and disbursement transaction testing, and required and recommended actions from this year's review. Additional review information is available in the attached Annual Review and File Review checklists.

STATE PROGRAM OVERVIEW

Washington's Clean Water State Revolving Fund (CWSRF) offers assistance to implement or plan projects eligible under Sections 212, 319, and 320 of the Clean Water Act (CWA). The Fund has always been operated as a direct loan program, which means it has never been leveraged through the issuance of bonds. EPA grants and match from Washington state appropriations capitalize the Fund. Repayments and interest earnings significantly augment the money available each year. Project funding is based on priority ranking scores and readiness to proceed.

Ecology uses an integrated solicitation process which allows project sponsors to submit a single application to apply for assistance from the CWSRF, State Centennial Clean Water grants and loans, and the state's nonpoint source grants program under §319 of the Clean Water Act. The system is flexible enough to handle additional sources of funding. For example, Ecology used this process for the one time federal ARRA funding and a state Stormwater/LID appropriation with this innovative funding framework. This system, unique to Washington State, maximizes the number of projects funded and better leverages the water quality benefits obtained from various financial assistance programs.

During SFY 2012, Ecology signed new loans or loan increases on twenty-eight projects with twenty-four borrowers totaling \$88.7¹ million. This includes \$511,900 from one project that was issued a binding commitment letter in SFY 2011 and was signed into a loan agreement during SFY 2012. In addition, Ecology issued four new binding commitments in SFY2012 with two communities totaling an additional \$19.2 million dollars. Two of these binding commitments have since been signed into loans during SFY 2013 and two were declined.

Cumulatively, Ecology has received approximately \$606² million in EPA capitalization grants and provided over \$107³ million in state match. These funds, when combined with principal and interest repayments and investment earnings, have provided Ecology \$1.3 billion⁴ for eligible clean water projects. Close to \$94⁵ million in CWSRF assistance has gone to implement the state's nonpoint source water quality strategy, \$6 million directly funded estuary projects and \$747 million went to either Section 319 or Section 212 projects that also protected or enhanced one of Washington's two national estuaries.

Ecology's CWSRF offers low interest rate loans based on a percent of the average interest rate for tax-exempt municipal (Muni) bonds. In SFY 2012, the CWSRF offered 1.3 percent for a five-year loan and 2.6 percent for a 20-year loan, or thirty percent of the average Muni bond rate and sixty percent of the average Muni bond rate, respectively. Hardship communities can receive loans with interest rate as low as zero

¹ Washington SFY2012 Annual Report

² National Information Management System (NIMS) line 71

³ NIMS line 77

⁴ NIMS line 137

⁵ NIMS line 165

percent, depending upon the severity of financial burden incurred as a result of the proposed project. Projects eligible for hardship or green project reserves (GPR) are also eligible for principal forgiveness as described in the Additional Subsidization Section.

FOLLOW-UP ON SFY2011 PROGRAM EVALUATION REPORT

Required Action #1: Provide a technical correction to the annual report that explains how SFY2011 Additional Subsidization Reserve projects meet EPA's sustainability goal as stated in the capitalization grant conditions.

This action was completed. Ecology issued Publication No. 12-10-047 Errata 1, which documents that Ecology met the sustainability goal as stated in the capitalization grant.

Required Action #2: Amend the City of Camas loan agreement (#L1100005) to require compliance with the Davis-Bacon Act.

This action was completed. The City of Camas loan agreement (#L1100005) has been amended to require the City to comply with the Davis-Bacon Act.

Required Action #3: Submit revised 5700-52A DBE reporting forms for every open SRF capitalization grant and inform EPA where Ecology's internal DBE reporting process was broken and how it was fixed to ensure accurate 5700-52A reports going forward.

This action was completed. Ecology submitted aggregated 5700-52A DBE reporting forms for every open SRF capitalization grant to EPA's DBE coordinator. Ecology fixed the broken DBE reporting chain by having a dedicated Fiscal staff person responsible to report all DBE for all grants including those for SRF. During this year's review EPA saw detailed recordkeeping of how Ecology's Fiscal office correlates DBE to specific grants.

Required Action #4: If Ecology wants to credit the Camas project toward its cross cutter requirement, then they should provide documentation of public notice that explains why Camas project (#L1100005) is located in a floodplain and that mentions any mitigation measures that are planned.

This action was resolved. Ecology decided not to credit this project toward cross cutters. Since Ecology consistently applies cross cutters to 80 percent of their projects, the dollar amount of projects in compliance exceeds the cumulative dollars made directly available by the capitalization grants.

SELECTED APPROPRIATIONS REQUIREMENTS

ADDITIONAL SUBSIDIZATION REQUIREMENT

The Additional Subsidization Requirement (ASR) for the CWSRF base program was included in EPA's Federal Fiscal Year 2011 appropriation. It was passed through to Ecology in their capitalization grant. Based on the capitalization grant, Ecology was required to provide additional subsidization between a minimum of \$2,379,660 and a

maximum of \$7,932,201 in SFY2012. During the fiscal year Ecology obligated \$4,843,184 in principal forgiveness to seven projects, well within the required range.

Ecology was notified during SFY2013 that one of the borrowers decided to decline the loan offer, including all of the principal forgiveness. Even with this decline, Ecology still reports in the Clean Water Benefits Reporting System (CBR) actual principal forgiveness of \$3,163,184 during SFY2012, which meets the minimum required subsidy. Table 1a shows the SFY2012 projects Ecology reported in CBR as receiving principal forgiveness.

Table 1a: SFY2012 Projects with Additional Subsidization as Principal Forgiveness

Loan #	Recipient	Project Name	Loan Amount	Principal Forgiveness
L1200002	Curlew Water & Sewer District	Curlew Wastewater Collection & Treatment System	\$480,109	\$24,904
L1200008 & L12S0008	Longview, City of	Municipal pervious Concrete Capacity	\$41,700	\$20,850
L1200025 & L12S0025	Mason County	Belfair Water Reclamation Facilities	\$1,218,000	\$1,064,280
L1200013 & L12S0013	San Juan County Health & Community Services	On-site Repair Financial Assistance Program	\$300,000	\$150,000
L1200018 & L12S0018	Tonasket, City of	Bonaparte Creek Area Sanitary Sewer	\$1,256,000	\$1,206,000
L1200019 & L12S0019	Yakima, City of	Methane Utilization/Energy Conservation Project	\$3,751,414	\$697,150
Total			\$7,047,223	\$3,163,184

In addition, Ecology included principal forgiveness to one project that was issued a binding commitment letter during SFY2012, but had not yet signed a full loan agreement. (The offer was declined in SFY2013.)

Table 1b: SFY 2012 Project (Binding Commitment) with Additional Subsidization as Principal Forgiveness

Loan #	Recipient	Project Name	Loan Amount	Principal Forgiveness
FP12051	Seattle Public Utilities	Venema Drainage	\$3,360,000	\$1,680,000

EPA national state revolving fund grant conditions state that priority for additional subsidies should be given to communities that could not otherwise afford such projects or that are defined by the State as disadvantaged. Ecology provided principal forgiveness to GPR eligible projects and disadvantaged communities as defined in the SFY2012 IUP and Washington State Administrative Code (WAC) Chapter 173-95A. The highest ranking GPR projects are eligible for a 50% subsidy but only until Ecology has

met its minimum GPR requirement. (See Green Project Reserve Section for more details.) Disadvantaged or hardship projects can receive up to fifty, seventy-five, or one hundred percent principal forgiveness to keep user rates below 2% of median household income. The maximum principal forgiveness per project is \$5 million.

The national grant conditions further request that these subsidies be directed toward “sustainable” projects as defined by the grant conditions:

1. Repair, replacement, and upgrade of infrastructure in existing communities;
2. Investigations, studies, or plans that improve the technical, financial, and managerial capacity of the assistance recipient to operate, maintain, and replace financed infrastructure;
3. Preliminary planning, alternatives assessment, and eligible capital projects that reflect the full life-cycle costs of infrastructure assets, conservation of natural resources, and alternative approaches to integrate natural or “green” systems into the built environment.

Ecology directly addressed this grant condition in its Annual Report, which shows that all ASR, whether offered for GPR or hardship, met one of the three sustainability options.

GREEN PROJECT RESERVE

Green Project Reserve (GPR) requirements were authorized for the CWSRF base program again in EPA's Federal Fiscal Year 2011 appropriation. They were passed through to Ecology in their capitalization grant. Ecology's responsibilities under GPR are to solicit and fund GPR projects, or components of projects, for not less than 20% of the capitalization grant amount. The four categories of GPR are green infrastructure, energy efficiency, water efficiency, and environmentally innovative projects. Ecology also must identify those projects in the IUP, state whether they are categorically green or will require a business case, review all business cases, and post them on their web site by the end of the quarter in which the loan is made.

Ecology had initially obligated \$5,552,667 for GPR, slightly over the minimum requirement of \$5,136,000. That included \$3,360,000 GPR to Seattle Public Utilities Venema Drainage project. However, the Seattle Public Utilities declined the binding commitment. As a result, the CBR database indicated a \$2,943,333 GPR shortfall at the time of the EPA review.

EPA also noticed that Ecology did not include a detailed description of the GPR eligibility of projects in the IUP or Annual Report, requiring EPA to determine the GPR information from CBR and through discussions with Ecology staff. We appreciate that Ecology subsequently provided this information in an Errata Sheet for the SFY2012 IUP in response to EPA comments to the draft IUP.

As a result of the apparent GPR gap and lack of detailed GPR information, EPA reviewed Ecology's GPR process during the onsite visit. EPA learned that when Ecology issues a single loan agreement for design and construction it is usually not possible for Ecology to assure categorical eligibility because design of the project will

have barely commenced. Ecology agreed to a three step process that ensures the public and EPA can ascertain GPR compliance as the project becomes better defined.

Ecology agreed to post the project specific GPR assessment from the IUP in the quarter the loan is signed. Upon completion of the project design and bid, Ecology will post a detailed business case or documentation demonstrating categorical eligibility based on actual project equipment, specifications, and costs. Finally, upon project completion, Ecology will review or revise business cases based on equipment, specification, and cost of the completed project. This final step will ensure that GPR eligible components approximately match the design specifications and estimated GPR costs, and the components were not replaced with lesser performing or ineligible GPR components.

[See Recommended Action #1.](#)

EPA heard that Ecology had several projects that were eligible for GPR that had not been identified in CBR. Since that meeting, Ecology corrected CBR entries for those projects that are GPR eligible. Currently CBR reports that Ecology has \$8,368,567 committed to GPR, exceeding the GPR target of \$5,136,000. See Table 2.

Table 2: SFY2012 Projects with Green Project Reserve Estimates

Loan #	Recipient	Project Name	GPR Description	GPR Amount*
L1200002	Curlew Water & Sewer District	Curlew Wastewater Collection & Treatment System	Solar energy and high efficiency pumping components as part of a WWTF upgrade.	\$40,000 (EE)
L1200005	LOTT Clean Water Alliance	Water Reclamation Project	1.0 million gallon reclaimed water storage facility and reclaimed water pump station.	\$3,999,900 (WE)
L1200008 & L12S0008	Longview, City of (Primary/ Kelso, City of (Secondary)	Municipal Pervious Concrete Capacity	Implementation of pervious concrete standard for construction of city sidewalks, handicap ramps, and other applications.	\$41,700 (GI)
L1200010	Northeast Tri-County Health District	On-site Repair Financial Assistance Program	All funding for this project is for a local program that will repair failing on-site septic systems.	\$416,667 (EI)
L1200013 & L12S0013	San Juan County Health & Community Services	On-site Repair Financial Assistance Program	All funding for this project is for a local program that will repair failing on-site septic systems.	\$300,000 (EI)
L1200016	Thurston County Public Health and Social Services Department	On-site Repair Financial Assistance Program	All funding for this project is for a local program that will repair failing on-site septic systems.	\$250,000 (EI)

L1200019	Yakima, City of	Methane Utilization/Energy Conservation Project	Bio-gas project that uses methane from the wastewater treatment process to fuel the boiler for the anaerobic digesters.	\$1,394,300 (EE)
L1200031	Pacific County	On-site Repair Financial Assistance Program	All funding for this project is for a local program that will repair failing on-site septic systems.	\$500,000 (EI)
L1200033	Bellingham, City of	Padden Creek Daylighting and Stream Restoration Project	Daylighting a 2200-foot-long reach of Padden Creek to restore the creek's natural channel and permanent riparian buffers.	\$1,426,000 (GI)
Total				\$8,368,567

* The four GPR categories are: Energy Efficiency (EE), Water Efficiency (WE), Environmentally Innovative (EI), and Green Infrastructure (GI).

DAVIS-BACON ACT

EPA's Federal Fiscal Year 2011 appropriation required that the Davis-Bacon Act (D-B) apply to all treatment works funded by the CWSRF. This requirement was passed through to Ecology in their capitalization grant. New CWSRF loans and funding increases to existing loans provided on or after October 30, 2009, for treatment works must require the borrowers to comply with D-B. This does not apply to minor increases needed to complete projects that were funded before October 30, 2009, and have not changed in scope.

The Davis-Bacon Act requires that all contractors and subcontractors performing construction, alteration and repair (including painting and decorating) work under federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage and fringe benefits for the geographic location. All bids and construction contracts must include the EPA's specific D-B attachment identified in the programmatic conditions of the capitalization grant award as well as the correct federal wage determination(s). Borrowers must maintain weekly certified payroll documents and conduct periodic interviews with personnel at the construction site. EPA found that Ecology ensured borrowers complied with these requirements, except for the single instance noted below.

Though the construction contract for Yakima's Methane Utilization/Energy Conservation Project (#L1200019) includes EPA's specific D-B attachment, it is missing the Department of Labor (DOL) wage determination(s). Since this contract is closed and all work completed, a comparison must be completed documenting the wages actually paid to all the laborers and mechanics versus the wages that should have been paid using DOL's wage determination(s) in effect at the time the contract was signed. This comparison must be placed in the project file and sent to EPA to document that sufficient wages were paid. If insufficient wages were paid, then back wages will need to be issued. [See Required Action #1.](#)

SELECTED BASE PROGRAM ITEMS

ENVIRONMENTAL REVIEW

Under the Clean Water Act (CWA) and 40 C.F.R. §35.3140(a), EPA requires that all Section 212 projects undergo Environmental Review. These projects include the familiar wastewater treatment projects as well as nonpoint source pollution control and estuary projects that can also fit the definitions of “construction” and “treatment works” as defined in §212 of the CWA. After completing the environmental review of a project, an agency’s environmental determination is issued, publically noticed, and frequently the public is allowed 14 days to provide comments. The determination is only valid for five years after which time the project is subject to a mandatory environmental reevaluation if it wants CWSRF funding. Upon completion of the reevaluation, the original environmental decision must be reaffirmed or modified.

The environmental determinations for both the Pullman (#L1200011) and Yakima (#L1200011) projects were over five years old. The City of Pullman prepared a 2011 updated environmental review document for the project which Ecology previously reviewed. However, Ecology made a slight technical error and concurred with the original environmental determination rather than issuing a public notice that reaffirmed or modified it. This is easily corrected. Ecology must issue and publically notice its intention to reaffirm or modify the old Pullman environmental determination. This may be accomplished by posting it on the Ecology website, including it in the IUP, or publishing it in a statewide periodical. [See Required Action #2.](#)

The environmental determination for the Yakima project (#L1200011) was also over five years old but Ecology did not reevaluate the proposed project. Ecology must reevaluate the original environmental review; ensure the proposed project is identical to the one that was originally assessed; evaluate any changes to the environment in the project area; and then publically notice the intent to either reaffirm or modify the previous Yakima (#L1200011) environmental determination. [See Required Action #3.](#)

MANAGING DEMAND – BEST PRACTICE

The EPA is impressed with Ecology’s proactive efforts to address low demand for the CWSRF fund. Identified as a risk last year, low demand threatens timely and expeditious use of funds and fund perpetuity. Contributing factors include alternative funding availability from the Public Works Board which has lower interest rates and the aftermath of the economic downturn, which caused some local governments to exercise extra caution concerning taking on debt to fund infrastructure improvements.

During this year’s onsite discussion on low demand, Ecology presented a Marketing Plan. The Plan discusses reasons for low demand, identifies potential strategies to increase demand, and investigates attitudes, barriers and beliefs of potential clients. For example, it suggests exploring collaboration with other agencies or program such as working with the Washington Department of Health, Community Development Block

Grants recipients, and the Department of Transportation. EPA was impressed with the quality of Ecology's strategic analysis and potential actions.

SUSTAINABILITY

EPA and Ecology discussed Sustainability and Climate Change during the on-site review to find out to what extent Ecology's program addresses or could address these two areas. Sustainability and Climate Change are priorities for EPA nationally, regionally, and for the CWSRF program.

The discussion focused on Asset Management and the Alternative Technologies and Assessment elements of sustainable infrastructure. The state indirectly promotes asset management through the Small Communities Initiative and NPDES permit requirements for infrastructure management and maintenance. Ecology has operations outreach staff (2 FTE for the state) that could provide technical assistance related to sustainable infrastructure elements in addition to wastewater operations management.

Ecology uses the phrase, "all known available and reasonable" (AKART) to encourage the evaluation of a broad range of alternatives. The program sees an opportunity for the engineering sector to expand this analysis to address sustainability and climate change.

Ecology mainly uses principal forgiveness to encourage projects that qualify for the Green Project Reserve. The CWSRF funds a number of Green Infrastructure (GI) projects. The state legislature may fund a GI grant program to help communities comply with Ecology's new stormwater requirements. A state law mandating energy audits has increased funding requests for energy efficiency projects, but unless there are water quality benefits, they do not score well for CWSRF funding.

Ecology expressed interest in how the Oregon CWSRF incorporated asset management and other sustainability concepts into its facility planning guidance. The program would also like to explore the sustainable energy management projects in Washington and potential opportunities to participate in this effort. EPA followed up by providing a copy of the OR CWSRF's facility planning guidance and information on the WA Energy Management Cohort program that concluded recently.

CASH DRAW AND DISBURSEMENT TRANSACTION TESTING

An important part of the annual review process is checking federal capitalization grant cash draw transactions and loan disbursement documentation. In response to the Improper Payments Elimination and Recovery Act, the Office of Management and Budget, through the EPA Office of the Chief Financial Officer (OCFO), directed that the CWSRF be subject to a random selection of transactions to develop a national estimate of improper payments from this program.

During the SFY2012 annual review, EPA looked at four cash draws from the federal capitalization grants and the associated project loan disbursements; each of these draws were assigned by OCFO. Ecology Fiscal Office staff provided complete sets of accounting records for EPA to evaluate the procedures for federal grant cash draws and state match deposit to the Washington CWSRF.

EPA reviewed the following four base program SFY2012 cash draws from EPA grants CS-530001-07, CS-530001-08, and CS-530001-09:

- **November 28, 2011 – Federal Cash Draw \$1,600,664.00; State Match \$320,209.55 (OCFO assigned)**
 - \$1,920,873.55 for the City of Centralia – 2009 I&I Reduction (#L1100007)
- **May 03, 2012 – Federal Cash Draw \$2,364,251.00; State Match \$472,963.71 (OCFO assigned)**
 - \$3,637,454.76 for the King County Dept of Natural Resources and Parks – Ballard Siphon Replacement (#L1100009). Additional \$800,240.05 paid from CWSRF recycled money
- **June 11, 2012 – Federal Cash Draw \$5,269,501.00; State Match \$1,051,394.77 (OCFO assigned)**
 - \$6,554,642.46 for LOTT Clean Water Alliance – Primary Sedimentation Basins (#L120014). Additional \$549,785.39 Federal/State Match paid from CS-530001-09.
- **July 03, 2012 – Federal Cash Draw \$3,362,134.00; State Match \$672,588.67 (OCFO assigned)**
 - \$620,465.00 for the City of Clarkston – Wastewater Treatment Improvement Design Project (#L1200009).
 - \$4,377,253.42 for the King County Dept of Natural Resources and Parks – Ballard Siphon Replacement (#L1100009). Additional \$962,995.75 paid from CWSRF recycled money

Individual cash draws may be rounded up or down to the nearest dollar. The correct proportionality ratios, 83.33% Federal and 16.67% State Match, were used for all administrative draws and project disbursements. All costs associated with the above draws were eligible for CWSRF funding.

SUMMARY AND ACTION ITEMS

This Program Evaluation Report uses a new risk based format that focuses on items that either need attention or are new and changing appropriation requirements. This format is possible because EPA includes substantial and significant additional evaluation detail in the checklists attached as Appendix A.

Ecology continues to do an excellent job maintaining a well-run CWSRF even as repayments of loan principal and interest have made it a sizable and complex program. This year's strategic approach to managing the potentially low demand for the CWSRF is just one example of Ecology's proactive thinking.

This year's program evaluation found a few areas that require attention. Based on our file reviews and onsite evaluation, we found one potentially significant item: a data gap in the CBR database for SFY2012 Green Project Reserve. Ecology had already identified additional GPR projects, but they had not been entered into CBR. CBR was corrected before the issuance of this PER and no further action is needed on this item. Following are a few minor required actions that should be relatively easy to complete successfully without any undue burden on Ecology staff.

Required Actions

Required Action #1: A comparison must be completed documenting the wages actually paid to all the laborers and mechanics for the Yakima Methane Utilization/Energy Conservation Project (#L1200019) versus the wages that should have been paid using DOL's wage determination(s) in effect at the time the contract was signed. This comparison must be placed in the project file and sent to EPA to document that sufficient wages were paid. If insufficient wages were paid, then back wages will need to be issued.

Required Action #2: Reaffirm and publicly notice the reaffirmation of the Determination of Non Significance for City of Pullman (#L1200011).

Required Action #3: Reevaluate the original environmental review for the Yakima Methane Utilization/Energy Conservation Project (#L1200019) to either reaffirm or modify the previous environmental determination for this project.

Recommended Action

Recommended Action #1: Post on the Ecology website GPR eligibility assessments and supporting GPR documentation in the quarter in which the GPR loan is signed. This GPR information should be updated when the project goes out to bid and again at project completion. This practice should ensure that Ecology's GPR data accurately reflects GPR eligibility and GPR dollar amounts.

All of these required actions must be completed by **October 25th 2013**.

ANNUAL & FILE REVIEW CHECKLISTS

ANNUAL REVIEW CHECKLISTS

PROGRAMMATIC	A-02
FINANCIAL	A-07
SUSTAINABILITY	A-14

FILE REVIEW CHECKLISTS

PULLMAN	A-15
YAKIMA	A-22

SRF Annual Review Information Sheet

State Under Review:	<u>Washington</u>
DW or CW Program?	<u>CW</u>
ARRA or Base review?	<u>Base</u>

For SRF Fiscal Year Beginning: 7/1/2011

Ending: 6/30/2012

ARRA: This is the ☐ First ☐ Second

review in this fiscal year

Base: Annual / Biennial Report Received: 19-Oct-13
Base: Annual Audit Received: 8-Apr-13
Base: Audit Year: State Fiscal Year 2012

State Contact: Mrs. Shelly McMurry

Phone No. 360-407-7132

Core Review Team:

[illegible]

State Staff Interviewed

Jeff Nejedly (Manager, Financial Section)
Lisa Darnell (Manager, Fiscal Office)
Kim Wagar (Water Quality Budget Manager)
Pat Brommer (Policy & Administration Unit Supervisor)
Melanie Nevares (Senior Financial Advisor)
Shelly McMurry (CWSRF Program Coordinator)
Alice Rubin (SERP Coordinator)
Daniel Thompson (Program Analyst)
David Dunn (Environmental Engineer)
Tammy McClure (Financial Manager)
Bill Hashim (Financial Manager)
Jeanna Ridner (Financial Manager)
Melanie Tyler (Financial Manager)
Carla Clarey (Accounts Receivable Manager)
Jane Hicks (Fiscal Analyst 3)
Sophal Espiritu (Fiscal Analyst 2)
Jayda Williams (Fiscal Analyst 2)
Brian Brada (Data Specialist)

Project files and transaction review: Pullman (Loan #L1200011) Yakima(Loan #L1200019)

	First Team Meeting	Second Team	On-Site Visit	Draft PER	Final PER
Estimated Date:	3/28/2013	4/1/2013 -	5/11/2013 - 5/13/2013	8/19/2013	9/11/2013
Actual Date:	4/5/2013	4/8/2013 -	6/11/2013 - 6/13/2013	8/23/2013	9/12/2013

Required Programmatic Elements			
Review Item and Questions to Answer	Pre-onsite Review		
	Y	N	NA
Onsite Discussion Summary			
1.1 Operating Agreement			
1 When was the last update to the State's Operating Agreement?	8/20/2008		
2 Discuss whether the current Operating Agreement accurately reflects the State's program. Has the OA been updated to include any changes to the SERP, use of bonds for leveraging/state match, use of additional subsidy, sub-state revolving fund programs (i.e., nonpoint source sponsorships), or other significant program changes?			The Ecology/EPA operating agreement accurately reflects the State's program. However, Ecology will need to update to include the new fee authority past on May 1, 2013 by the Washington State legislature.
3 If the OA does require an update, what is the State's plan for doing so (i.e., adding an amendment, using examples from other states, etc.)?			Ecology plans to work with EPA to get an updated operating agreement approved in calendar year 2014 after the new rule for charging administrative charges is finalized.
1.2 Annual / Biennial Report			
1 Date that the Annual/Biennial Report was submitted to the Region:	10/5/3012		
2 Does the State's Annual / Biennial Report meet the following requirements:			
a. Reports on progress towards goals and objectives	X		Short-term and long term goals and Ecology progress with achieving them is provided in the report, Annual Report, Pp. 3-5.
b. Reports on use of funds and binding commitments			Ecology provides a quarterly breakdown of binding commitments for the year. Table 7, p. 15. Ecology did not distinguish between loans, which were the vast majority of the items and binding commitment letters of which there were four.
c. Reports on the timely and expeditious use of funds	X		Binding commitments are stated as 109% of total available funds. Table 6, p. 15
d. Identifies projects and types of assistance provided.	X		The annual report includes a good level of detail on the projects that were funded. Table 5, p.14.
e. Includes financial statements and cross-references independent audit report			The annual report includes unaudited financial statements. SFY2012 audit not issued until April 2013, Exhibit 2-5, Pp. 33-36.
f. Provides assessment of the SRF's financial position and long-term financial health	X		Ecology progress on Goal #6 to provide sound financial management of the funding programs and projects Pp. 7-9.
g. Demonstrates compliance with all SRF assurances and certifications	X		Ecology asserts compliance with SRF assurances and certifications through reference of compliance with the 2008 operating agreement between Ecology and EPA, p. 13.
h. Demonstrates compliance with SRF program grant conditions			The annual report states that Ecology meets program grant conditions, including GPR and ASR. The report is also in accordance with the EPA ASR sustainability policy, P. 17. Although the annual report states that one GPR loan was declined, it also lists enough additional GPR to replace this declined GPR amount.
i. IPPSS: Demonstrates that projects in the Fundable List portion of the IUP were funded in priority order or explains why lower ranked projects were funded.	X		The annual report indicates that Seattle Public Utilities declined the offer for the Venema Natural Drainage System project (FP12051) and the South Park Stormwater Facility project (FP12052) and the next ready to proceed projects on the PPL were funded instead.
j. IPPSS: Documents why priority projects were bypassed in accordance with state bypass procedures and whether State complied with bypass procedures.			
k. DWSRF: Documents use of set-aside funds (see set-aside sheet for details)	X		See previous comment.
l. Documents eligible Green Project Reserve projects that were funded		X	
			The annual report indicates that Ecology had initially obligated \$5,552,667 for GPR, slightly over the \$5,136,000 minimum GPR requirement for FFY11. That included a \$3,360,000 GPR binding commitment to Seattle Public Utilities Venema Drainage project that was subsequently declined. Although this left an apparent GPR shortfall in the CBR database, Ecology assured EPA that they had enough other GPR elements within the existing project captured in CBR. During this annual review process, Ecology corrected CBR entries and identified \$8,368,567 committed to GPR, exceeding the GPR target of \$5,136,000. During the GPR discussion, Ecology also said they had correlated Yakima SFY11 with SFY12 GPR dollars to ensure that Yakima's SFY11 GPR dollars were not double counted in SFY12.
m. Documents projects that received additional subsidy	X		ASR section and Table 9, Pp. 17-18.

Review Item and Questions to Answer	Pre-onsite Review			Onsite Discussion Summary
	Y	N	NA	
n. Documents whether additional subsidy was directed to projects in communities that could not otherwise afford such projects. If not, was an explanation provided for why this decision was made? [Provide explanation in Discussion column.]	X			Hardship assessment process and list of loans to hardship communities Table 3, Pp. 5-6.
o. Documents whether additional subsidy was directed to projects that repair or replace existing infrastructure; projects that include plans, studies, etc. to improve technical, managerial and financial capacity; and/or projects that reflect the full life cycle costs of infrastructure assets. If not, was an explanation provided for why? [Provide explanation in Discussion column.]	X			Table 9, P. 18.
3 Includes a CWSRF Benefits Reporting System (CBR) or Drinking Water Project Benefits Reporting System (PBR) summary report or "one-pager" for all projects funded.	X			Table 10, P. 19.
1.3 Short and Long-Term Goals				
1 How does the State establish short-term environmental and financial goals? What are they and how will they be achieved?				Ecology reviews short and long term goals as part of its ongoing collaboration with its financial advisory committee representing statewide stakeholders who provided recommendations. For the past couple of years short term financial goals have been focused on obtaining legislative authority to charge fees (Ecology currently uses more than 4% of the cap grant to administer the program) and to accelerate the pace at which projects are signed into loan agreements & disbursement amounts for each Fiscal year. See Annual Report for progress on short-term and long term goals: Annual Report, Pp. 3-12.
2 How does the State establish long-term environmental and financial goals? What are they and how will they be achieved?				Ecology gets input from management, staff, and stakeholders to establish long-term goals. See Annual Report for progress on short-term and long term goals: Annual Report, Pp. 3-12. Long term financial goals have focused on the perpetuity of the fund, impacts on perpetuity of charging fees, and accelerating use of the fund via cash flow modeling.
1.4 Funding Eligibility				
1 Discuss the State's internal controls for funding eligibility. How does the State ensure that SRF funds do not go to ineligible projects or ineligible expenses?				To ensure that only eligible SRF projects are funded, at least two Ecology regional CWSRF staff review and score each application based on Ecology's eligibility criteria. As a quality control, any significant differences between regional reviewers are resolved by Ecology headquarters staff with CWSRF technical expertise. To prevent CWSRF paying for ineligible expenses Ecology has developed a risk based system for reimbursement requests. For projects that were designated as "low risk," the Ecology Financial Manager evaluates every line item purchase for each invoice submitted. If all items eligible and mathematical totals accurate, the Financial Manager approves the payment and sends up to Fiscal Office to process. For projects that were designated as "high risk," the process is the same as for the "low risk" projects but BOTH the Financial Manager and the Regional PO/engineer must go through each line of every invoice & sign off on approval to send to Fiscal for processing.
2 Discuss the State's policy for collecting documentation from assistance recipients to support the amount and eligibility of disbursement requests. What type of documentation is required, how are invoices reviewed, etc.?				Borrower sends Ecology's Financial Manager forms A-19-1A (summary of full loan amount, amount received to date, and amount currently being requested), form B2 (running budget summary for projects with cash expenditures only), C2 (voucher support for projects with cash expenditures only - line items summarizing each cost incurred) and all invoices (back-up documentation) associated with the disbursement request. Ecology has a risk based approach for invoice review. For projects which were designated as " Low Risk " Ecology's Financial Manager reviews all forms & invoices, concurs with all costs, checks items for eligibility and against the rules of cash draw, etc. Financial Manager can request support from regional PO and/or engineer but not required. Once Financial Manager concurs with amount of disbursement request, concurrence added to form A-19-1A and sent to Fiscal Office to process. For projects which were designated as " High Risk ," the process is identical to the one for "low risk" projects but BOTH the Financial Manager AND the Regional PO/engineer must go through each line of every invoice and sign off on the approval prior to sending up to the Fiscal Office for payment. In addition to regional folks reviewing all parts of the borrower's payment request for eligibility, they also confirm that the amount requested to date is consistent with project completion.

Review Item and Questions to Answer		Pre-on-site Review			Onsite Discussion Summary
		Y	N	NA	
3	DWSRF: How is the State meeting the 15% small systems goal?				N/A
4	DWSRF: How does the State ensure that systems in significant noncompliance with any National Primary Drinking Water Regulations (NPDWR) are not receiving assistance, except to achieve compliance?				N/A
1.5 DWSRF Withholding Determinations					
1	DWSRF: How does the State ensure demonstration of new system capacity?				N/A
2	DWSRF: Describe the State's ongoing implementation of its Capacity Development program				N/A
3	DWSRF: Describe the State's ongoing implementation of its operator certification program				N/A
1.6 Reporting					
1	Has the State entered data for all projects in the Annual Report into the CBR or PBR database?	X			Checked on 4/25/13 by EPA project officer.
	a. Are the records complete, to the extent possible?				The CBR database did not accurately reflect the amount of GPR that Ecology had funded, but this was corrected during the annual review process. Ecology agreed to post the project specific GPR assessment from the IUP in the quarter the loan is signed. Upon completion of the project design and bid, Ecology will post a detailed business case or documentation demonstrating categorical eligibility based on actual project equipment, specifications, and costs. Finally, upon project completion, Ecology will review or revise business cases based on equipment, specification, and cost of the completed project. This final step will ensure that GPR eligible components approximately match the design specifications and estimated GPR costs, and the components were not replaced with lesser performing or ineligible GPR components. Otherwise, the project files were in good order and EPA was provided with the documentation required to complete this program evaluation.
2	Has FFATA data been entered for projects in an amount equal to the capitalization grant?		X		WA CBR has five projects for a total of \$40,365,727 credited to FFATA. Ecology uploaded the CBR data to the FRSR.Gov site and then adjusted the LOTT Wastewater Alliance (L1200014) amount down to \$4,989,286 to ensure the entry matched the exact amount of the FFY11 federal capitalization grant of \$25,680,000. EPA confirmed that each project was entered into the FFATA site.
3	What is the State's process for ensuring timely and accurate CBR/PBR data entry?	X			Ecology CBR database is maintained by partial FTE coordinating with Ecology staff to ensure accurate programmatic and financial data is properly entered or updated. The process for SFY2012 is the same as it has been for years. The final agreement routing sheet includes the data specialist who is responsible for entering and maintaining the CBR data. Ecology is changing its CBR procedure whereby the financial managers will each enter their own projects into CBR. All projects signed in SFY2012 or earlier will continue to be maintained by Ecology data specialist.
1.7 Staff Capacity					
1	How many CW/DWSRF staff members does the State have in the following areas?				
	a. Accounting & Finance				Four partial (major) FTE's are financial managers which approve all disbursement requests. The Fiscal Office also has four partial FTE's (20-80% for each) to process disbursements, repayments, etc.
	b. Engineering and field inspection				Four FTE for regional POs, several partial engineering FTE to review the P&S, review invoices, and conduct inspections.
	c. Environmental review / planning				One FTE HQ handles cross cutters and ER coordination as do each of the four regional POs; One HQ FTE for planning
	d. Management				One Sectional manager and one unit supervisor use partial FTE each for overall HQ management of CWSRF; four regional managers use partial FTE to manage CWSRF in in eastern, Central, western, and northwestern regions.

Review Item and Questions to Answer	Pre-onsite Review			Onsite Discussion Summary
	Y	N	NA	
e. DWSRF: Management of set-asides				N/A
2 What is the State CW/DWSRF program's current situation with regard to hiring and training new staff?				In SFY2012, Ecology filled two vacant positions: SRF program coordinator and SRF planner. For training, Region 10 EPA HQ sponsored CWSRF training in March 2013. Ecology sends staff to CIFA annually, as well as to regional trainings during the year as opportunities present themselves.
1.8 Compliance with Environmental Review Requirements				
1 Do the State's environmental review procedures (as described during onsite interviews) accurately reflect the process as described in the State Environmental Review Process (SERP)?				Ecology follows their SERP process for categorical exclusions and DNS environmental determination. However, Ecology didn't follow the correct process for reaffirming environmental determinations that are more than five years old. For the Pullman project, EPA found that Ecology made a slight technical error. They did part of the reaffirmation process by reevaluating an updated environmental review, but Ecology did not issue a public notice to reaffirm or modify the original determination. We found that Yakima did neither the reevaluation nor the public notice and will need to complete the reevaluation as well as reaffirm or modify the original
2 Describe the State's decision process and documentation requirements for issuing the following environmental review determinations:	X			
a. Categorical Exclusion (CE) or the State equivalent				Washington state law requires local projects to undergo a State Environmental Review Act (SEPA) process, which is completed at the local level. The CWSRF SERP requires Ecology to ensure that this determination meets criteria for a CatEx: a regional project officer concludes whether or not the local determination for the project adequately fits the list of categorical exclusions in state rule, completes a checklist to determine that there are no extraordinary circumstances that might still cause the project to undergo review. If the project is allowed a cat ex and does not also have extraordinary circumstances, then the project officer documents Ecology's cat ex determination in the project file.
b. Environmental Assessment (EA)/Findings of No Significant Impacts (FONSI) or the state equivalent				If the project is not eligible for a cat ex, then regional project officer reviews an applicant's environmental documentation. If the state's review confirms a determination of non-significance, then Ecology affirms the FONSI and documents this in the project file.
c. Environmental Impact Statement (EIS)/Records of Decisions (ROD) or the State equivalent				EIS/ROD is included in the SERP, but Ecology has not yet used this process because no CWSRF projects have required a EIS/ROD.
3 How does the State ensure that public notices and meetings, as required by the SERP, are provided during the environmental review process?				Ecology's practice requires an affidavit of publication to be kept in the regional project files.
4 How are documented public concerns addressed/resolved by the State in the environmental review process?				Washington state law requires local projects to undergo a State Environmental Review Act (SEPA) process, which is completed at the local level. Under SEPA, the local agency responsible for the SEPA process is required to publicly notice its determination and accept and consider any comments received. Under the CWSRF SERP requirement Ecology is required to review the local determination for sufficiency, including whether or not public concerns were adequately addressed. See the project review checklists for details on how Pullman and Yakima addressed public comments.
1.9 Compliance with Federal Cross-Cutting Authorities (Cross-Cutters)				
1 What is the State's process for ensuring compliance with Federal cross-cutting authorities?				Ecology uses a detailed set of draft cross cutter checklists and draft guidance to determine compliance to all cross cutting authorities. EPA has commented on their draft guidance and requested a few minor, but important changes and expects Ecology to provide a proposed final for EPA approval in late 2013 / early 2014.
2 Does the State use equivalency procedures in applying Federal cross-cutting authorities, and if so, how are assistance recipients selected to comply?				Ecology applies all cross cutters to all WWTF construction project, a small subset of cross cutters to Stormwater, and exempts non-point source and planning projects completely. Since Ecology spends approximately 80 percent of the SRF funding of WWTF construction and most of the funding is from non-federal sources, this policy has ensured that Ecology easily meets the minimum required cross cutter equivalency.
3 What is the State's process for applying Federal cross-cutting authorities to nonpoint source projects or projects that received Categorical Exclusions from environmental review requirements?	X			Ecology does not apply cross cutters to non-point projects. By applying cross cutters to all construction projects, Ecology exceeds the cross cutter requirement. See previous comment.
4 Were there any issues which required formal consultation with other State or Federal agencies, and how were these resolved?		X		See project file review checklists from Pullman and Yakima.

Review Item and Questions to Answer	Pre-onsite Review			Onsite Discussion Summary
	Y	N	NA	
1.10 Compliance with Disadvantaged Business Enterprise Requirements				
1 What is the State's process for ensuring compliance with DBE requirements?				Ecology puts the DBE requirement in the loan agreement, has an SRF bid insert, which includes Fair share objectives, six good faith efforts, DBE contract administration, and DBE contract language and 6100 forms. Project officers maintain copies of completed 6100 forms in regional files. Borrowers send Ecology a DBE reports (or Form D of the project's disbursement request). These individual project DBE reports are aggregated into the 5200-52As and sent to EPA.
1.11 Green Project Reserve Requirements (N/A for DWSRF for post-2011 program years)				
1 What percentage of the State's funds were provided in assistance agreements for Green Project Reserve projects in the year under review?				According to CBR on September 6, 2013, Ecology has obligated \$8,368,567, or 33 percent of the FFY11 capitalization grant, well exceeding the 20% minimum GPR required. One GPR project was declined by Seattle Public Utilities, Venema Drainage, but Ecology had enough additional projects or project elements deemed GPR eligible.
2 If the State was unable to meet the Green Project Reserve requirement, does the Annual Report describe how it will expand its GPR solicitation plan for the following year? Briefly describe the plan in the Onsite Discussion section.			X	The annual report indicates that Ecology has plenty of GPR, but it has not logged it as such into CBR.
3 Did the State post business cases for Green Project Reserve projects on the State website by the end of the quarter in which projects were funded?			X	As of the time of this review, Ecology did not have any GPR business cases. However, it is possible that Design and Construction project could need a business case once designed to justify their GPR. If that becomes the case for any project, Ecology is aware of the need to post those business cases on their websites once the design is completed. See Comment 1.6.1.a above.
4 Do all business cases comply with the Green Project Reserve requirements? List the business cases reviewed during the Annual Review in the Onsite Discussion section.			X	see previous comment.
1.12 Davis-Bacon Requirements				
1 What is the State's process for ensuring that Davis-Bacon requirements, including the correct wage determinations, are included in bid documents?				Loan agreements require borrowers to fulfill and document all Davis-Bacon (D-B) requirements, including maintain certified payroll and conducting interviews. During the preparation of bid documents, Ecology provides borrowers with EPA's D-B pages. Ecology's policy is to have regional staff review all bid documents and check that the right wage determinations are used. However, borrowers sometimes just leave a place-holder page initially as they want to update the bid docs with the correct wage determination closer to actual publication date. Occasionally this page has not been updated but Ecology has not known this since Ecology's bid review has already occurred. Therefore, Ecology has agreed to evaluate how they can confirm D-B wage determination(s) in the contract. Ecology is also trying to decide whether to coordinate this from Ecology HQ or keep it as a regional responsibility.
2 What is the State's process for collecting certifications of compliance with Davis-Bacon from all assistance recipients?				Borrowers required to submit monthly progress reports, which include a certification that they are complying with D-B. Ecology inspections spot check some D-B items, such as weekly certified payroll, D-B postings, etc.
1.13 Programmatic Risks				
1 What in the State's view are the main programmatic risks facing the program, and what steps are being taken to avoid and/or mitigate them?				Last year (SFY2011) Ecology staff and management expressed some concern about demand for CWSRF funds and surmised that lot of communities are delaying expensive WWTF projects because they are worried about their financial position given lingering effects of the economic downturn. During this SFY2012 onsite evaluation Ecology shared a new strategy that outlines possible reasons for the low demand, numerous realistic strategies to increase demand, potential clients for SRF loans, and barriers to them signing SRF loans. general categories of potential projects were outlined including stormwater low impact development, more septic repair and replacement, agricultural practices such as irrigation efficiency projects, and riparian restoration and protection.

Required Financial Elements

Review Item and Questions to Answer	Pre-on-site Review			Onsite Discussion Summary
	Y	N	NA	
2.1 Binding Commitment Requirements				
1 What is the State's method for tracking and documenting binding commitments to ensure that 120% of each grant payment is committed to projects within one year of the payment?				State obligates all funds available (T&E) within a year of receipt. BC commitment is thus met the day grant is awarded since grant has become such a small amount of the total funds available. Ecology predominately issues direct loans to CWSRF applicants, though occasionally if a loan cannot be completed prior to the end of a fiscal year a formal Binding Commitment letter is sent to the applicant.
2 Do the dates of binding commitments as documented in the project files match those reported in the Annual/Biannual Report?				Yes. See project file review checklists for Pullman (L1200011) & Yakima (L1200019).
3 Does the State track the average time lag between binding commitment and construction initiation? If so, what is the average time lag?				Ecology rarely issues binding commitments prior to obtaining signed loan agreements. Loan agreements are for design & construction projects so project's tend not to request much for reimbursement until construction actually begins. Ecology's recently begun tracking average lag time between signed loan agreements and cash disbursements. The plan is to accelerate the program by committing funds into new loan agreements prior to actually receiving principal & interest repayments from past borrowers; specifically utilizing Oregon's cash flow model. To date, Ecology appears to be disbursing approximately 25% of the loan amount in the first year and 50% in the second.
a. If this is a significant time lag, is it recurring? (If so, note steps the State is taking to correct the situation in the Onsite Discussion column)		X		
			X	Not a significant time lag.
2.2 Assistance Terms				
1 What is the State's process for establishing assistance terms?				Ecology has a standing Financial Advisory Committee (FAC) made up of external stakeholders from around the State. The FAC is scheduled to meet on a quarterly basis and they provide recommendations to Ecology on interest rates & terms. The FAC attempts to balance environmental, financial, and hardship benefits while still meeting perpetuity requirements. All interest rates & terms are clearly articulated in State rule & in each IUP. Based on the FAC's recommendations, Ecology currently provides standard CWSRF loans at 65% of the average monthly municipal bond interest rate calculated over a two month period. Communities are eligible for additional reduction in loan interest rates based on hardship criteria.
a. Are interest rates less than the market rate?	X			
b. Do principal repayments start within one year of project completion and end within 20 years, for all projects with non-extended loan repayment terms?	X			
c. Does the program use extended terms to the extent it is allowable? (If so report the percentage of project funding used.)			X	No extended term financing.
2 What is the amount and type of additional subsidy provided, and is this consistent with current FY requirements?	X			During SFY2012, Ecology provided principle forgiveness in the amount of \$3,163,184 (approximately \$784K more than the minimum required by the FFY2011 grant)
a. If the State is providing subsidy in the form of grant funds, do assistance agreements require compliance with EPA regulation 40 CFR Part 31?			X	All subsidy provided via principal forgiveness
3 How does the State periodically evaluate terms of assistance offered relative to the supply and demand for funds and the Fund's long-term financial health?				Ecology has a standing Financial Advisory Committee (FAC) made up of external stakeholders from around the State. The FAC is scheduled to meet on a quarterly basis and they provide recommendations to Ecology on interest rates & terms. The FAC attempts to balance environmental, financial, and hardship benefits while still meeting perpetuity requirements. Ecology prepares presentations & runs financial models for the FAC meetings when rates & terms are scheduled to be discussed. Based on FAC recommendations, Ecology's senior management ultimately makes rate decisions. Interest rates are clearly articulated in State rule & IUPs and are updated on an as needed basis.

Review Item and Questions to Answer	Pre-onsite Review			Onsite Discussion Summary
	Y	N	NA	
2.3 Use of Fees				
1 Does the State assess fees on assistance? If so, note the fee rate charged and on what basis (e.g., percentage of closing amount, principal outstanding, principal repaid, etc.) in the Onsite Discussion column		X		
a. Describe how fee income is used by the program. For each use, indicate whether the fee income is program or non-program income.				N/A
b. How does the State evaluate the use of fees relative to loan terms to set appropriate total charges to assistance recipients and assess long-term funding needs for program operation?				N/A
c. What are the State's procedures for accounting and reporting fee use?				N/A
2.4 Assessment of Financial Capability and Loan Security				
1 What are the State's procedures for assessing the financial capability (CW) or the technical, financial, and managerial capability (DW) of assistance recipients?				A Financial capability Assessment Checklist must be submitted by all applicants. Applicants provide: "Financial data for the last 3 years; Statute/Code/Resolution/Meeting Minutes/etc establishing fees or other means for paying for the project; Audit reports for the last 3 years" as well as operating ratio trends, operating fund carry-over, and existing capital debt. Ecology independently calculates the ratios as well, though only for those applicants being offered funding. There is no further action for applicants unless they request consideration for hardship funding. For applicants which request hardship funding, Ecology requires far more data including user rates, commercial & industrial users, portion of project designed for growth, etc. Ecology compares this data to medium household income to determine an applicant's ability to repay.
a. Do Project File Reviews indicate that these policies and procedures are being followed?	X			Both files reviewed have financial capability assessments. See project file review checklists for Pullman (L1200011) & Yakima (L1200019)
2 How does the State ensure that assistance recipients have a dedicated source of revenue for repayment or, for privately-owned systems, adequate security to assure repayment?				For non-hardship projects funded under the 212 authority Ecology does not ensure an applicant's ability to repay the loan. Ecology assumes a borrower's user rates will be sufficient to repay the loan though, for security, they add provisions to the loan agreement including a state-aid intercept clause and the requirement for the borrower to establish and maintain a reserve account. The borrower has five years from when the project goes into repayment to ensure the reserve account has been sufficiently funded to provide six months of payments based on the amortization schedule. For non-hardship projects funded under the 319 or 320 authorities, a borrower provides Ecology with information as to how they intend to repay the loan. Ecology adds the same security provisions related to state-aid intercept & a reserve account to these loans. Regardless of which authority they are funded under, Ecology determines an applicant's ability to repay for all hardship communities. Ecology lowers interest rates & provides principal forgiveness and/or Centennial grant funds to ensure the applicant's ability to repay the loan. The same, standard security provisions related to State-aid intercept & reserve accounts are added to hardship loans.
3 How does the State ensure that assistance recipients have access to additional funding sources, if necessary, to ensure project completion?				Ecology does not require, nor necessarily provide, sufficient resources to ensure project completion. Historically there have been sufficient resources in the CWSRF to provide increases to existing loans when necessary however that is not guaranteed by the program.

Review Item and Questions to Answer	Pre-onsite Review			Onsite Discussion Summary
	Y	N	NA	
2.5 Cash Draws				
1 Describe the State's disbursement process and the reviews/internal controls utilized to ensure that disbursements adhere to the Federal cash draw rules.				Borrower sends Ecology's Financial Manager forms A-19-1A (summary of full loan amount, amount received to date, and amount currently being requested), form B2 (running budget summary for projects with cash expenditures only), C2 (voucher support for projects with cash expenditures only - line items summarizing each cost incurred) and all invoices (back-up documentation) associated with the disbursement request. Ecology has a risk based approach for invoice review. For projects which were designated as "Low Risk" Ecology's Financial Manager reviews all forms & invoices, concurs with all costs, checks items for eligibility and against the rules of cash draw, etc. Financial Manager can request support from regional PO and/or engineer but not required. Once Financial Manager concurs with amount of disbursement request, concurrence added to form A-19-1A and sent to Fiscal Office to process. For projects which were designated as "High Risk," the process is identical to the one for "low risk" projects but BOTH the Financial Manager AND the Regional PO/engineer must go through each line of every invoice and sign off on the approval prior to sending up to the Fiscal Office for payment. In addition to regional folks reviewing all parts of the borrower's payment request for eligibility, they also confirm that the amount requested to date is consistent with project completion. Once Fiscal Office receives A-19-1A form with Financial Manager initials for sign off (or FM & regional PO in case of projects deemed high risk) then Fiscal staff input information into State systems to process payment from correct accounts & with appropriate funding codes. Second Fiscal staff (usually team leader) reviews records input into State system & if concurs then processes batch for payment.
2 Have any improper payments/cash draws/disbursements been discovered by the State? (If so, note corrective actions that have been taken in the Onsite Discussion column)				Nothing discovered by State. Some disbursement request costs were denied by the Financial Managers (and thus never paid) though since the Change Orders hadn't been approved by Ecology and thus were not eligible costs
2.6 State Match				
1 What is the State's source of state match? Is this source sufficient to provide the 20% match now and into the foreseeable future?				Ecology's match appropriated every biennium by State Legislature as transfer from Public Works Assistance Account (PWAA) directly to CWSRF account. The PWAA receives funding from a combination of taxes and transfers. Each year's Match is paid individually to Ecology around/soon after July 1. Sufficient match has already been appropriated for EPA to award FFY2013 & FFY2014 grants.
2 If bonds are issued for state match, and the SRF is used			X	Ecology does not issue state match bonds
a. Has the State's current match bond structure been approved by Headquarters? (Provide details in the Onsite Discussion column)			X	
3 Do State accounting records indicate that match funds were deposited at or before applicable federal cash draws?	X			
2.7 Transaction Testing for Improper Payments				
1 Are State records of federal funds received consistent with federal records of federal funds disbursed?	X			
2 Does the State track the average length of time between request and disbursement? If so, is it a reasonable time lag?				State does not track average length of time between request and disbursement however EPA financial analyst found average time to be less than 30 days once Ecology receives all necessary documentation. Ecology had not initially received completed disbursement request packages for half of the cash draws EPA reviewed and those took longer than 30 days. Ecology's Financial Managers had good records to document communication with the borrowers indicating exactly what was needed before Ecology would process the disbursement requests.
3 What proportionality ratio is the State using for cash draws, and how did they establish that ratio? Is the current ratio allowing them to use an efficient cash management approach?				83.33% Federal/16.67% State Match for all cash draws, including administrative ones.
4 Has the State identified any improper payments? If so, how were they resolved?		X		Nothing discovered by State. Some disbursement request costs were denied by the Financial Managers (and thus never paid) though since the Change Orders hadn't been approved by Ecology and thus were not eligible costs

Review Item and Questions to Answer	Pre-on-site Review			Onsite Discussion Summary
	Y	N	NA	
a. If improper payments occurred as a result of systemic internal control deficiencies, how will the State review and/or modify its internal controls to decrease the potential for erroneous payments to occur in the future?				N/A
2.8 Timely and Expeditious Use of Funds				
1 Does a review of the IUP and Annual Report confirm that the State is using SRF funds in a timely and expeditious manner, i.e. within one year of receipt?	X			All funds obligated each year within a year of receipt. Expenditures on loan agreements tend to take longer since loans are for design & construction. This year Ecology began tracking disbursement rates to borrowers and preliminary results show that borrowers, on average, request approximately 25% of the loan amount in the first year, and 50% in the second.
a. What is the State's balance of uncommitted funds?				For SFY2012 less than 1% of the funds remained uncommitted and all funds were committed in SFY2011.
b. What is the State's balance of unliquidated funds?				State currently drawing from the FFY2011 grant. Ecology switched to "First In/First Out" (FIFO) process for CWSRF and no longer has an unliquidated funds problem (previously tens of millions were disbursed from the repayment funds though there were several open Federal grants.) Except for projects with special circumstances, Ecology is exclusively disbursing from the Federal grants & associated State Match. It is anticipated that by the end of SFY2014 Ecology will have fully disbursed all prior grants and will have drawn a significant portion of the FFY2013 grant.
c. What is the trend in uncommitted and unliquidated funds over the past 2-3 years?				No uncommitted funds. Annual obligations appear steady, percentage of disbursements decreasing slowly but several large projects funded that will take longer to disburse.
2 If the State needs to improve its use of funds to ensure timely and expeditious use, what is the State's plan to address the issue?			X	All funds currently obligated and disbursed in a timely & expeditious manner.
a. If the state was required to develop a plan demonstrating timely and expeditious use of funds, is progress being made on meeting this plan?			X	
2.9 Financial Management				
1 What are the State's short and long-term financial goals, and how is the State's financial management designed to achieve these goals?				Ecology's number one priority for the past two years was to get legislative approval to charge a fee to be used to administer the program. Long Range Planning and modeling was necessary to provide the legislature with sufficient data to document the need for the administrative fee. Ecology has also been internally discussing reevaluating their definition of perpetuity assuming declining Federal cap grants, historically low interest rates, severe competition from the Public Works Trust, and requirement to provide additional subsidization. Finally, Ecology has been working to accelerate the program. Plan is to use advanced cash flow modeling projections to increase the amount signed into loans each year.
				Ecology holds quarterly meetings with a standing stakeholder council (Financial Advisory Committee) which provides recommendations to all aspect of the program including interest rates, hardship criteria, perpetuity definitions, priority setting systems, etc. Twice a year Ecology's CFO & Assistant/Deputy Administrator for the Agency are briefed on the CWSRF, including plans for the future.
a. Are NIMS financial indicators for the State improving over time? If not, which indicators are declining?		X		Return on Federal Investment declining but that is to be expected with required ASR amounts. Ecology tends to fund close to the maximum amount allowed. Percentage of funds disbursed relative to signed loan agreements has been decreasing but Ecology has been funding larger projects lately which take longer to disburse. Neither of the declining indicators is currently deemed a problem by the EPA Region.

Review Item and Questions to Answer	Pre-onsite Review			Onsite Discussion Summary
	Y	N	NA	
2 What is the State's long-term financial plan to direct the program?				Current long term plan/models assume Federal capitalization grants will decline steadily for the next four years and then be eliminated, 1% administrative fee will be charged to communities starting in January 2014 (at time of loan closing for existing loans, written directly into new loan agreements when signed), program will accelerate pace of obligations using a cash flow model to predict disbursement patterns. Ecology has concern about perpetuity of program as national interest rates are at historic lows, minimum amounts of additional subsidization must be provided, they are experiencing extreme completion from the Public Works Trust, and there is currently insufficient 4% left to administer the program. The State budget is already having to supplement the administration of the program which is why a 1% fee must be charged as soon as possible. Ecology is not legislatively allowed to add the 1% fee to the existing interest rate so interest rates must go down to allow the collection of the fee. After two years of collecting the fee Ecology will reevaluate the need to charge a full 1%, Ecology's goal is to reduced the fee percentage so as to produce sufficient resources to administer the program but not take away too much interest from the program.
a. Was financial modeling used to develop the plan? How was modeling conducted?				Yes. Ecology has a Loan and Grants Tracking System (LGTS) that has all loans, interest rates, principal forgiveness amounts, etc. From this system they have been able to run models showing various impacts of raising/lowering interest rates, charging fees, etc. They system has been used to make portfolio projections. Additionally, Ecology has begun to use Oregon's Excel Workbook for advanced cash flow modeling. The Excel model tracks all disbursements on a quarterly basis from date of loan agreement. As Ecology is able to develop averages/trends in borrower disbursements they will be better able to project the amount of funds they can obligate prior to actually receiving them. The goal is to have funds disbursed within 3-6 months of receipt.
b. How often is the plan reviewed and updated?	X			The plan isn't updated often, though it's reviewed at least once (or more) a year by the FAC. For the past two years most of the focus has been on getting legislative approval to charge a fee for administrative purposes. Plans & models have been updated as necessary (though not less than twice a year). Ecology is now contemplating applying to EPA for extended term financing. They are putting together models & meeting with the FAC. A proposal will likely be presented to senior management & EPA within the year.
c. Does planning address types of assistance and terms, use of leveraging, and transfers or cross-collateralization between programs?				The modeling assesses types of assistance and terms for planning purposes but actual assistance & terms are set in rule. Based on FAC recommendations, Ecology's definition of perpetuity, and other State & national factors, the rules are periodically revisited and terms of assistance updated. Ecology is aware that current demand could not support leveraging though other State agencies are perpetually suggesting it and EPA has been involved with multiple State agencies as this idea has been discussed. The DWSRF is run by Depts. of Health (DOH) and Commerce. To date, DOH has not been interested in transferring funds though it has been discussed.
3 Describe the State's leveraging structure and activities, including ratio, frequency, amount, use of funds, impact on interest rates, etc. (N/A if the state does not leverage)	X			
a. Is leveraging activity consistent with the leveraging activities described in the IUP, Annual Report and bond documents?			X	
b. Are net bond proceeds, interest earnings, and repayments being deposited into the fund?			X	
4 Are ARRA repayments being deposited into the base SRF fund?			X	
5 Does the State have any issues related to loan restructuring, the potential for defaults, and the timeliness of loan repayments? How are these issues being handled?	X			State has a few loans that have potential for default. Ecology not currently interested in restructuring these loans though they have been in full communication with EPA about all available options.
2.10 Compliance with Audit Requirements				
1 Are annual audits being conducted by an independent auditor?				Yes. Additionally, State Auditors automatically deem any program in the State which expends \$30M or more in Federal & State Match funds as a major program for the Statewide Single Audit. The CWSRF had therefore been deemed a major program for the past several years. Ecology's Fiscal Office stated that if the State Auditors didn't deem them a major program, they would pay to upgrade the independent financial audit to a CWSRF specific single audit.
	X			

Review Item and Questions to Answer	Pre-onsite Review			Onsite Discussion Summary
	Y	N	NA	
a. Who conducted the most recent audit? Note date of most recent audit in Onsite Discussion column.	X			Washington State Auditor's Office issued SFY2012 Financial Statements Audit Report on April 8, 2013
b. Did the program receive an unqualified opinion? If a qualified opinion was given, note the reason(s) in the Onsite Discussion column	X			Unqualified opinion in both independent audit & Statewide single audit (CWSRF was deemed a major program & both the base program and ARRA portions were given special consideration, enhanced oversight, and disbursement testing)
c. Were there any significant findings? (Briefly discuss the findings under Onsite Discussion)		X		No findings
d. Is the program in compliance with GAAP?	X			
2 What were the prior audit recommendations and/or recommendations in the "Management Discussion & Analysis" letter, and has the State implemented them?				There were no recommendations in either the SFY2011 or SFY2012 audits.
3 Did the most recent audit confirm compliance with State laws and procedures?	X			
a. Did the audit include any negative comments or issues regarding the State's internal control structure?		X		
b. Did the audit identify any erroneous payments/cash draws/disbursements?		X		
c. Has the State taken action to recover the improperly paid funds?			X	
4 Did the most recent audit find that state cash management and investment practices consistent with State law, policies, and any applicable bond requirements?	X			
a. What rate of return is the SRF earning on invested funds?				0.61%
5 Did the most recent audit find State accounting procedures adequate for managing the SRF?	X			
a. What are the internal controls in the State's accounting procedures to ensure that SRF disbursements are used for eligible purposes only?				borrower sends Ecology's Financial Manager forms A-19-1A (summary of full loan amount, amount received to date, and amount currently being requested), form B2 (running budget summary for projects with cash expenditures only), C2 (voucher support for projects with cash expenditures only - line items summarizing each cost incurred) and all invoices (back-up documentation) associated with the disbursement request. Ecology has a risk based approach for invoice review. For projects which were designated as "Low Risk" Ecology's Financial Manager reviews all forms & invoices, concurs with all costs, checks items for eligibility and against the rules of cash draw, etc. Financial Manager can request support from regional PO and/or engineer but not required. Once Financial Manager concurs with amount of disbursement request, concurrence added to form A-19-1A and sent to Fiscal Office to process. For projects which were designated as "High Risk," the process is identical to the one for "low risk" projects but BOTH the Financial Manager AND the Regional PO/engineer must go through each line of every invoice and sign off on the approval prior to sending up to the Fiscal Office for payment. In addition to regional folks reviewing all parts of the borrower's payment request for eligibility, they also confirm that the amount requested to date is consistent with project completion. Once Fiscal Office receives A-19-1A form with Financial Manager initials for sign off (or FM & regional PO in case of projects deemed high risk) then Fiscal staff input information into State systems to process payment from correct accounts & with appropriate funding codes. Second Fiscal staff (usually team leader) reviews records input into State system & if concurs then processes batch for payment.
b. What are the State's accounting and internal control procedures for state-purchased equipment?				Not covered/asked during the review since the State has never used the CWSRF to purchase equipment.

Review Item and Questions to Answer	Pre-on-site Review			Onsite Discussion Summary
	Y	N	NA	
6 How does the State notify assistance recipients of the requirement to provide a single audit if they receive more than \$500,000 in Federal funds?				Ecology sends a generic letter to every entity which has been disbursed funds (either grant or loan) stating what the SAA requirements are (i.e. \$500,000 threshold, submitting single audit, etc). Attached to the general letter is a report specific to the grantee/borrower whereby Ecology has listed under each CFDA number the dates & amounts of each disbursements covered by that CFDA number. This report is based on a calendar year but because it has the exact dates & amounts of each Federal disbursement under the respective CFDA number, each grantee/borrower is able to ascertain the amount of Federal assistance for the fiscal year it uses.
a. What is the State's process for reviewing assistance recipients' audits and following up with recipients on resolving issues and/or findings?				State Auditors require that Ecology confirm that each entity which ECY sent more than \$500K in Federal funds (this includes NPS money, NEP money, Puget Sound money, CWSRF, etc) actually completed a single audit. Ecology reviews each of the single audits on the State Auditor's website. If the single audit isn't posted there then the Financial Manager contacts the community as has a copy sent directly to Ecology. If there are no findings in the single audit then process is complete. If there are findings then the Financial Manager must follow up with the entity to ensure all issues/findings are resolved. In calendar 2013, Ecology is changing process and asking each entity which receives less than \$500K Federal money directly from Ecology to complete a form stating what the cumulative total of Federal funds received was for the Fiscal year. For those which exceed \$500K, Ecology will follow the same process to check single audit to ensure there are no issues/findings and/or follow up with entity until resolved.
7 DWSRF: Does the audit include all set-aside funds (not just administrative funds)?			X	
2.11 Financial Risks What in the State's view are the main financial risks facing the program, and what steps are being taken to avoid and/or mitigate them?				Ecology stated main financial risks to the program are low demand, competition from the Pubic Works Trust and possible phase out of the SRF capitalization grants. All infrastructure funders in the State (CWSRF, DWSRF, Rural Development, HUD, etc) are having difficulty with the Public Works Trust. This group of funders gets together periodically and have been working to see how they can integrate the programs rather than compete against each other. Since Ecology is worried about low demand, In Dec 2012 they put together a marketing plan complete with assessing the possible reasons for low demand, hiring additional staff, working on marketing brochures, looking to expand to fund new projects, etc. Finally, to deal with the concern about cap grants ending Ecology worked for the past two years to get legislative approval to charge an administrative fee on CWSRF loans.

EPA's Clean Water and Drinking Water Infrastructure Sustainability Policy: Discussion Questions

Review Item and Question to Answer		Pre-onsite Review			Onsite Discussion Summary
		Y	N	N/A	
<i>Note: Questions are applicable only to projects funded in FY 2011 and after. SRF activities in support of the Sustainability Policy are voluntary but strongly encouraged by EPA.</i>					
4.1 Sustainability					
1	How does the State encourage the use of asset management programs? Does the State's Project Priority List (PPL) include projects that emerged as a result of an asset management program?				The state indirectly promotes asset management through the Small Communities Initiative. Also, the NPDES permit requires infrastructure management and maintenance. Lastly, Ecology has operations outreach staff (2 FTE for state) that provide technical assistance although it's more focused on operations (e.g., foam management). Since Ecology does not have an asset management program it is understandable that they do not have any projects on the PPL that would have emerged from such a program, if they had one. However, during the onsite visit this year, Ecology expressed interest in learning how Oregon incorporated asset management and other sustainability concepts into its facility planning guidance. The program would also like to explore the sustainable energy management projects in Washington and potential opportunities to participate in this effort.
2	How does the State encourage planning process that included consideration of community sustainability priorities from other sectors, such as transportation and housing?				Ecology sets aside funds dedicated to project planning loans .
3	How does the State encourage SRF applicants to evaluate a range of alternatives, including green and or decentralized alternatives, based on full life-cycle costs?				Ecology's SERP requires that two alternatives in addition to the no action option are considered. Ecology has developed an on-site spetic program that encourages the repair and replacement of failing septic systems. Ecology also uses principal forgiveness, which has been allowed in recent CWSRF appropriations, to encourage projects to incorporate green or decentralized alternatives.
4	How does the State evaluate whether assistance recipients have taken steps to ensure that projects will be funded, operated, maintained, and replaced over time?				Ecology requires that projects include an user fee to ensure ongoing O&M and assess the cost effectiveness of facility plans, which are required by Washington rules.
5	Does the State's PPL include projects that utilize green infrastructure as an integral part of the treatment process? Describe any activities that the State uses to encourage these types of projects.	X			The Ecology PPL projects includes one project that utilizes green infrastructure, the City of Longview Pervious Concrete Capacity. Ecology encourages these types of projects by offering up to 50% principal forgiveness on loans going to GPR green infrastructure projects.
6	Does the PPL include projects that maintain or create additional green space? Examples could include riparian buffer zones or conservation easements. Describe any activities the State uses to encourage these types of projects.	X			Two examples from the PPL include: The Salmon Creek Riparian Restoration IV Project will address multiple water quality impairments by re-establishing vegetation in riparian corridors and the Palouse Rock Lake Conservation District (in partnership with Pine Creek CD) project is designed to improve the water quality in Rock Creek and tributaries by implementing 12 miles of riparian buffers and increasing the use of direct seed systems through the cost-share programs.
7	Does the PPL include projects that make use of technologies and practices to reduce energy and/or water consumption, and use energy in a more efficient way, and/or produce/utilize renewable energy? Describe any activities the State uses to encourage these types of projects.	X			The Ecology PPL includes the Yakima Methane Utilization/Energy Conservation Project, which will fully utilize methane produced onsite, augmented with a new grease receiving station and anaerobic industrial waste process, to heat existing processes, buildings and new class A biosolids dryer. Having sustainable energy and new processes reduce onsite electrical and fuel consumption, reduces offsite emissions and increases existing plant capacities. Ecology encourages these types of projects by offering 50% principal forgiveness on loans going to GPR energy or water efficiency projects.

Review Item and Question to Answer	Yes	No	N/A	Comments
1.1 Funding Eligibility				
1 File contains an application submitted by the recipient	X			Application signed 11/3/10 by Glen A. Johnson, Mayor of Pullman.
2 The assistance recipient and project is eligible for CWSRF/DWSRF assistance	X			Loan application is for a publicly-owned treatment works project for secondary process improvement to bring the existing plant into compliance with its NPDES permit requirements for both BOD & TSS criteria.
3 All technical documents required by the state for the type of project have been submitted (preliminary engineering reports, plans & specs, etc.) and reviewed	X			Plans and specifications approval letter signed on 4/15/2009 by James M. Bellaty, Section Manager, Water Quality Program.
1.2 Green Project Reserve (GPR)				
1 Project file indicates that any portion of the project designated to receive GPR funding is either:				
a. Categorically qualified for the GPR			X	This is not a GPR project.
2 Business case has been posted on State website by the end of the quarter in which the project was funded			X	This is not a GPR project.
1.3 Socio-Economic and Other Cross-Cutters				
1 Project file includes a completed EPA Form 4700-4	X			Project file includes monthly progress reports for Calendar year 2012 (Q1-Q4) and calendar year 2013 Q1 with a self-certification checkbox stating that the borrower is complying with the Davis Bacon requirements.
2 Project file includes certifications from the assistance recipient confirming: [note: certifications may be included in the assistance agreement or application]				
a. Compliance with Equal Employment Opportunity requirements	X			Contractor's Compliance Statement (EEO) and non-segregated facilities certifications and signed and dated 1/13/2012.
b. Compliance with Executive Order No. 12898, Environmental Justice for Low Income and Minority Populations	X			Pullman environmental information document (June 2011) addresses environmental justice and finds no adverse affects from this project; Ecology concurs that "the project has no environmental or disproportionately distributed effects to minority, low income, or tribal populations, " cross cutter checklist 10/25/2011 signed by eastern regional PO.
c. That no contract receiving federal funds will be entered into with a federally suspended or debarred individual or company	X			Project file contains EPLS searches for general contractor and all subcontractors. Ecology uses Form D: Contractor Participation Report required with each disbursement/payment request. Project file supports the Form D certifications by including copies of the EPLS (and SAM) searches for contractor and every subcontractor requesting payment.
1.4 State Environmental Review				
1 Project File includes the following, as appropriate [note: may be included in the Preliminary Engineering Report or Facilities Plan]:				
a. Discussion of required mitigation measures		X		Upgrade to existing facility-Pullman Wastewater Treatment Plant Secondary Process Improvements, Final Engineering Report, August 2004.
b. Analysis of other sites and/or other projects considered		X		Upgrade to existing facility-Pullman Wastewater Treatment Plant Secondary Process Improvements, Final Engineering Report, August 2004.

2	The project is subject to the State Environmental Review Process (SERP) <i>[N/A for nonpoint source projects]</i>	X			This is a point source project that upgrades "treatment works" as defined in CWA section 212.
	a. For projects subject to the SERP, file includes an Environmental Information Document (EID) from the assistance recipient <i>[N/A for projects receiving a Categorical Exclusion]</i>	X			Pullman Environmental Information Document, June 2011.
3	File contains the state's decision memo (with environmental assessment, as applicable) documenting one of the following:				
	a. Decision to classify the project as a Categorical Exclusion (CE or CatEx)			X	Project issued a DNS.
	b. Decision to grant a Finding of No Significant Impact (FNSI or FONSI)	X			Project issued a DNS.
	c. Decision to require an Environmental Impact Statement (EIS)			X	Project issued a DNS.
4	File includes Environmental Impact Statement and accompanying Record of Decision <i>[N/A for projects receiving a Categorical Exclusion or Finding of No Significant Impact]</i>			X	Project issued a DNS.
5	File includes evidence of public notification, as required:				
	a. State environmental decision memo received public notification or an announcement was distributed to a list of interested parties and agencies, as specified in the SERP				Project file documents that Pullman published DNS determination in Moscow Pullman Daily News April 27, 2005, copy of April 27, 2005 Moscow-Pullman Daily News notices. However, Ecology made a slight technical error and concurred with the original environmental determination rather than issuing a public notice that reaffirmed or modified it. This is easily corrected. Ecology must issue and publically notice its intention to reaffirm or modify the old Pullman environmental determination. This may be accomplished by posting it on the Ecology website, including it in the IUP, or publishing it in a statewide periodical.
	b. The comment period was in accordance with state procedures		X		The community had a comment period was open from 4/27/2005 to May 11, 2005 (15days), which is in accordance with the 14 day minimum required by state rules. However, since original DNS is more than five years old the state's reaffirmation will need to be publicly noticed.
	c. The state addressed all comments.		X		For the original DNS, SEPA coordinator for Ecology, Arthur Buchan M.S., commented that the project needs a shoreline substantial development permit. Project file documents that Pullman's applied, publicly noticed, and obtained the permit. However, Ecology will need to address any additional comments regarding the reaffirmed determination.
1.5	Environmental Cross-Cutters [required for projects in an amount equal to the capitalization grant, including projects not subject to the SERP and projects receiving a categorical exclusion; for each item, either a finding of "no effect" by the State, or a concurrence letter from the applicable cross-cutting agency is required]:				
1	Endangered Species Act and Magnuson-Stevens Fishery Conservation and Management Act (essential fish habitat)				
	a. File documents state determination of "no effect" on endangered species and of protected habitat	X			EPA "No Effect" ESA/EFH letter issued and signed 7/27/11.
	b. File includes concurrence from US Fish and Wildlife Service or National Marine Fisheries Service			X	No Concurrence is required from NMFS or USFWS for a federal agency "No Effect" determination.
2	National Historic Preservation Act				
	a. File documents state determination of "no effect" on historic properties				April 2009 Cultural Resources Survey that concluded no effect on cultural or historic resources. Ecology concurred with this assessment, Pullman Environmental Information Document, June 2011, Section 3.4 & cutter checklist signed by eastern regional PO, 10/25/2011.
	b. File includes concurrence from State or Tribal Historic Preservation Office	X			Letter from Washington DAHP concurred with "no historic properties are affected," 11/22/2010.
3	Wild and Scenic Rivers Act				
	a. File documents state determination of "no effect" on wild or scenic rivers	X			Pullman is not located near a wild and scenic river according to the W&S maps & cross cutter checklist 10/25/2011.
	b. File includes concurrence from appropriate Federal or State Agencies			X	See previous comment.

Required Technical Elements - Pullman (Loan #L1200011)				
Project or Borrower: Pullman - Loan #L1200011	Yes	No	N/A	Comments
2.1 Bid, Procurement, and Construction Contracts				
1 File contains request for proposals or bid announcement	X			Project file contains bid announcement published 12/17/2011, Affidavit of publication 12/21/2011.
2 File contains evidence that request for proposals or bid announcement was advertised according to state rules	X			Bids due 2:00PM 1/24/12(38 days), which exceeds the minimum requirement of 14 days as specified by WA state rules.
3 File contains a copy of specifications or construction contracts <i>[N/A if file includes documentation that specifications or construction contracts include all required socio-economic cross-cutters as listed in Section 2.1.4]</i>	X			Project file contains volume 1 through 4 of Contract/Specification dated August 2008. Construction contract signed by Amy Jenne, Vice President, Apollo, Inc. on 2/23/2012 and Mayor, City of Pullman on 2/29/2012. Notice to Proceed from the City of Pullman effective 2/29/2012. File documents that contract was completed 3/14/13. Winning Bid: Apollo, Inc. \$5,038,767.12.
4 File contains documentation that specifications or construction contracts contain the following required socio-economic cross-cutter language and forms:				
a. Disadvantaged Business Enterprise (DBE) requirements				Fair share objectives, six good faith efforts, DBE contract administration, and DBE contract language included in the bid review documents for the winning bid documents signed 3/13/2012. Bidders list, list of DBE that are contracted is included, final contract documents and addendum 1 to contract documents 1/10/2012, section D.
b. DBE forms 6100-2, 6100-3 and 6100-4	X			Completed 6100-4 and 6100-3 forms signed by Amy Jeane, vice president of Apollo, Inc. (1/20/2012). Bidder proposes to perform 68%. Subcontractors include Mountain States (non-DBE), American Coatings (DBE), Extreme Coatings, Inc. (DBE), Shannon Industrial (non-DBE), Challengers Companies, Inc. (non-DBE).
c. Equal Employment Opportunity requirements	X			Contractor's Compliance Statement (EEO) and non-segregated facilities certifications and signed and dated 3/13/2012.
d. Prohibition of federal funds for contractors or subcontractors who have been suspended or debarred by the Federal Government	X			Project file contains EPLS search for the general contractor, Apollo Inc. as of April 12, 2012 and all subcontractors. Borrowers submitted Form D with each disbursement request which certifies EPLS. The file also contains a copy of each subcontractor listed in the disbursement request. Since this project is relatively new, later disbursements use the new SAM.gov site.
e. Applicable EPA Davis-Bacon grant term and condition <i>[note: for projects using base CWSRF funds, Davis-Bacon requirements only apply to treatment works projects and publicly-owned decentralized treatment projects regulated by a NPDES permit.]</i>	X			Contract/bid documents have the correct EPA Davis-Bacon grant term and condition, Final Contract/Bid documents (Volume 1), Attachment 1; Approved/Signed by Richerd Koch, Ecology 12/14/2011.
f. Applicable Davis-Bacon wage determination(s) <i>[note: for projects using base CWSRF funds, Davis-Bacon requirements only apply to treatment works projects and publicly-owned decentralized treatment projects regulated by a NPDES permit.]</i>	X			Amendment #3, approved by Ecology 1/23/2012, adds the correct federal wage determination, WA120086 01/06/2012, into the contract. Pullman had originally used General Decision Number WA100101 11/18/2011 Mod 12, Heavy Construction: Davis-Bacon federal wage determination Final Contract/Bid documents (Volume 1), Attachment 2; Approved/Signed by Richerd Koch, Ecology 12/14/2012.
5 For assistance recipients that are non-governmental entities: File includes documentation that state obtained and reviewed wage determinations prior to bid advertisements to ensure compliance with Davis-Bacon requirements			X	City of Pullman is a governmental entity.
2.2 Reporting and Ongoing Compliance (* required section for repeat reviews)				
1 File includes information to support project data entered into the CWSRF Benefits Reporting (CBR) or DWSRF Project Benefits Reporting (PBR) databases		X		CBR checked by EPA project officer 4/05/2012 indicated project started construction on 7/1/11, but the file indicates a notice to proceed of 2/29/2012. CBR lists initiation of operations as 3/31/15. EPA discussed data correction and process with financial managers and they agreed to check their data entry to ensure they proper dates are entered. No additional action is required.
2 For SRF projects in amount equal to the capitalization grant, project file includes semi-annual DBE reports on subcontracting procurement [DBE form 5700-52A or equivalent] <i>[note: may be kept elsewhere]</i>	X			Project file includes DBE reports with every disbursement request through the required Form D. Ecology aggregates these reports for the April 30 and October 30 semi-annual DBE report to EPA, as required by the capitalization grant.
3 Project file includes documentation from the assistance recipient indicating compliance with Davis-Bacon for each weekly payroll <i>[N/A for projects funded with non-ARRA funds prior to October 1, 2009]</i>	X			Project file includes monthly progress reports for Calendar year 2012 (Q1-Q4) and calendar year 2013 Q1 with a self-certification checkbox stating that the borrower is complying with the Davis Bacon requirements.

- 4 Project file includes Federal Funds Accountability and Transparency Act (FFATA) reports *[note: N/A for non-equivalency projects or projects funded with grants received prior to October 1, 2010]*

2.3 State Inspections (*required section for repeat reviews)

- 1 Project file includes copies of inspection reports prepared by the state or its representative
- 2 Inspections were performed at intervals in accordance with the state's procedures (e.g., monthly during construction, quarterly, etc.)
- 3 Inspection reports indicate project is in compliance with:
- a. Davis-Bacon requirements
- e. Green Project reserve eligibility (when applicable)
- 4 All issues and concerns identified in inspection reports were adequately resolved

X		Ecology has credited Pullman loan along with others to FFATA for a total amount equivalent to the FFY11 capitalization grant, or \$25,680,000, to meet the FFATA requirement.
X		Ecology documents one inspection completed on December 6, 2012 and signed by the project officer on 6/6/2013. It states that Davis-Bacon was not reviewed during this visit.
X		The state normally does two inspections, but Ecology makes a judgement call on how often to inspect a project depending on factors such as the size and complexity of the project.
	X	Davis-Bacon was not reviewed. See comment 2.3.1 above.
	X	This is not a GPR project.
	X	No issues or concerns identified.

Required Financial Elements - Pullman (Loan #L1200011)

Project or Borrower: Pullman - Loan #L1200011		Yes	No	N/A	Comments
3.1 Financial Review					
1	File includes documentation of applicable review of assistance recipient:				
	a. For CWSRF projects, a financial capability review <i>[note: in some states, N/A for projects receiving 100% principal forgiveness or grant]</i>				File contains financial capability assessment for Pullman dated 8/26/2011; it reviews three years of financial statements and uses financial ratios to determine a community's financial ability to repay the CWSRF loan; it recommends contract language requiring the City (Pullman) to update its 2009 rate study within one year of signing the loan agreement to reflect Ecology's funding offer and loan terms. The reason for this recommendation from Ecology is that the 2009 rate study assumes that Pullman would obtain a Public Works Trust Fund loan of nine million at 1% over 20 years as opposed to the Ecology offer, which is \$12.5 million at 2.6% over 20 years. This recommendation became a Loan agreement requirement, Part V(a), Page 10. Pullman contractor, HDR engineering, issued its required updated sewer rate study in a technical memorandum dated 4/30/2012. The Project was deemed to need increased oversight.
	b. For DWSRF projects, a technical, managerial, and financial capability review	X			
				X	
3.2 Loan or Bond Purchase Agreement					
1	The loan agreement or bond purchase document:				
	a. Is signed by the state and assistance recipient (record date in comments)	X			Loan L1200011 for \$12,500,000 was signed by Glenn A. Johnson, Mayor City of Pullman 12/7/11; Kelly Susewind, Water Quality Program Manager, 1/12/12.
	b. Includes a budget and/or description of eligible costs				Part III, Project Budget, page 7, details eligible costs (\$12,897,026): \$11,887,909 for construction, \$929,117 for construction management, and \$80,000 for project administration; Loan L1200011, Amendment # 1 (dated/signed 5/22/12) added \$306,108 in change orders to the budget and reduced the construction costs to \$6,122,158 for a new total budget of \$7,437,383.
	c. Includes the interest rate	X			L1200011, Page 3 lists the interest rate as 2.6%.
	d. Includes the fee rate [if applicable]				Ecology does not currently levy an administrative charge. New legislation passed May 1, 2013 provides Ecology authority to start including limited charges on any outstanding CWSRF balances that come due after the effective date of this new administrative rule.
	e. Includes an amortization schedule or includes the repayment period and the date when repayments must begin <i>[N/A for projects receiving 100% grant or principal forgiveness]</i>			X	
	g. Requires the assistance recipient to maintain accounting practices in accordance with Generally Accepted Accounting Principles	X			Attachment 8 repayment schedule: 20 year repayment term; first payment (P&I) is due on 9/30/2015; thereafter semi annual principal and interest payments due beginning 3/30/2016.
		X			Attachement 4, page 1: General Project Management Requirements includes- accounting standards/principles of Governmental Accounting Standards Board.
2	The assistance agreement's repayment period is in accordance with the state's policies and procedures.	X			State rule allows 20 years repayment loan term
	a. CWSRF: For loan agreements, repayment period does not exceed 20 years.	X			See comment 3.2.1 (e) above.
	b. CWSRF: For bond purchase documents, repayment periods exceeding 20 years are in accordance with a state extended term financing program approved by EPA			X	Ecology does not offer extended term financing.
	c. DWSRF: If repayment period exceeds 20 years, the assistance recipient meets the state's definition of a disadvantaged community			X	

3 The loan or bond purchase document makes reference to:

a. Davis-Bacon requirements

X

Attachment 4: General Project Management Requirements, Page 13- Requires compliance with Davis-Bacon [40 U.S.C. SS276a to 276a-5 (1994)] and contract inclusion of EPA Davis Bacon terms and conditions.

d. Federal Funds Accountability and Transparency Act (FFATA) reporting requirements *[note: N/A for projects funded by non-Federal funds or Federal funds received prior to October 1, 2010]*

X

Attachment 4: General Project Management Requirements, Page 9 - requires loan recipient to complete the FFATA Data Collection Form and return it to Ecology. Ecology has credited \$25,680,000, or an amount equivalent to the FFY11 capitalization grant, to meet the FFATA requirements.

3.3 Single Audit Act compliance (*required section for repeat reviews)

1 The assistance recipient is submitting Single Audit Reports *[note: N/A for a fiscal year if assistance recipients has not expended more than \$500,000 in Federal funds from all sources in the fiscal year, or is a non-equivalency project]*

X

Pullman submitted a Single Audit Report for calendar year 2011 on 9/26/12 and there were no findings. The calendar year 2012 audit is not expected until September 2013. Ecology informed Pullman that they need to have a single audit because they had received approximately \$1.6 million in federal funds in calendar year 2012, Letter signed by Lisa Darnell, Ecology Fiscal, 1/28/2013.

a. The state ensured that the assistance recipient addressed findings and resolved any issues identified in a Single Audit Report

X

There were no findings to be resolved.

Required Program Elements -Yakima (Loan #L1200019)

Review Item and Question to Answer	Yes	No	N/A	Comments
1.1 Funding Eligibility				
1 File contains an application submitted by the recipient	X			Application signed 11/04/2010 by Scott Schafer, Manager, Wastewater Division for the City of Yakima.
2 The assistance recipient and project is eligible for CWSRF/DWSRF assistance				Yakima is a publicly-owned treatment works and is eligible for SRF funding. Yakima will design and install a grease receiving station and industrial waste treatment process that will improve WWTP capacity and increase the WWTPF process redundancy, save 1.4 million kwh of electricity, and optimize methane production.
3 All technical documents required by the state for the type of project have been submitted (preliminary engineering reports, plans & specs, etc.) and reviewed	X			Ecology approved the Yakima August 2005 facility plan, approval letter signed on 10/26/2005 by G. Thomas Tebb L.E.G., Section Manager, Water Quality Program. Letter contains tracking no. 0403-1B.
1.2 Green Project Reserve (GPR)				
1 Project file indicates that any portion of the project designated to receive GPR funding is either:				
a. Categorically qualified for the GPR	X			The project file documents that project elements credited with GPR are categorically eligible for GPR energy efficiency Sections 3.2-1 and 3.2-2. The bio-fuel boiler will save 50% of the energy used for a non-biogas boiler (or approximately save 1.4 million kwh of electricity). This biogas project implements recommendations from an energy audit prepared by Pacific Power. Ecology informed Yakima in a 9/7/11 letter from Kelly Susewind to Scott Schafer, Yakima Manager wastewater division, of the need for an Investment Grade Efficiency Audit (IGEA) per WA legislative requirements. A 11/9/11 email from D. Dunn to financial manager B. Hashim concurs with Yakima's assertion that the audit prepared by Pacific Power (which is in the project file) met the IGEA requirement.
b. Supported as GPR eligible by a State-approved business case			X	see comment 1.2.1 above.
2 Business case has been posted on State website by the end of the quarter in which the project was funded			X	see comment 1.2.1 above.
1.3 Socio-Economic and Other Cross-Cutters				
1 Project file includes a completed EPA Form 4700-4	X			Signed by Michael Morales, Yakima Interim City Manager 1/24/12.
2 Project file includes certifications from the assistance recipient confirming: [<i>note: certifications may be included in the assistance agreement or application</i>]				
a. Compliance with Equal Employment Opportunity requirements	X			Contractor's Compliance Statement (EEO) and non-segregated facilities certifications signed by Andy Hander, President, Shannon Industrial Contractors, Inc. 2/28/2012.
b. Compliance with Executive Order No. 12898, Environmental Justice for Low Income and Minority Populations	X			No adverse affects from this project; Yakima NEPA document (June 2004), Section 3.8- socio-economic and environmental justice.
c. That no contract receiving federal funds will be entered into with a federally suspended or debarred individual or company	X			File contains SAM.gov search indicating that neither The City of Yakima nor Shannon Industrial Contractors, Inc. are debarred or suspended. Ecology also requires a completed Form D with every disbursement. On form D, the borrower certifies that the general contractor and any subcontractors used have been vetted for debarred and suspended compliance.
1.4 State Environmental Review				
1 Project File includes the following, as appropriate [<i>note: may be included in the Preliminary Engineering Report or Facilities Plan</i>]:				
a. Discussion of required mitigation measures	X			Yakima NEPA Environmental Report 2004 & Yakima Regional Wastewater Treatment Plant Facility Plan, August 2005.
b. Analysis of other sites and/or other projects considered	X			Yakima NEPA Environmental Report 2004 & Yakima Regional Wastewater Treatment Plant Facility Plan, August 2005.
2 The project is subject to the State Environmental Review Process (SERP) [<i>N/A for nonpoint source projects</i>]	X			This is a point source project that upgrades "treatment works" as defined in CWA section 212.

Required Program Elements -Yakima (Loan #L1200019)

Review Item and Question to Answer		Yes	No	N/A	Comments
3	a. For projects subject to the SERP, file includes an Environmental Information Document (EID) from the assistance recipient [<i>N/A for projects receiving a Categorical Exclusion</i>]	X			Yakima NEPA Environmental Report 2004 & Yakima Regional Wastewater Treatment Plant Facility Plan, August 2005.
	File contains the state's decision memo (with environmental assessment, as applicable) documenting one of the following:			X	Project issued a DNS.
	a. Decision to classify the project as a Categorical Exclusion (CE or CatEx)				Project issued a DNS. Ecology reviewed and approved the Yakima Regional 2004 Wastewater Treatment Plant Facility Plan, which included the City's NEPA review and concurred with the DNS. Ecology concurrence letter was signed (10/26/05) by G. Thomas Tebb L.E.G., Section Manger, Water Quality Program. However since the NEPA review and DNS were both completed more than five years before the SRF loan was signed, Ecology must reevaluate the original environmental review; ensure the proposed project is identical to the one that was originally assessed; evaluate any changes to the environment in the project area; and then publically notice the intent to either reaffirm or modify the previous Yakima (#L1200011) environmental determination. This may be accomplished by posting it on the Ecology website, including it in the IUP, or publishing it in a statewide periodical.
	b. Decision to grant a Finding of No Significant Impact (FNSI or FONSI)				
		X			
	c. Decision to require an Environmental Impact Statement (EIS)			X	Project issued a DNS.
4	File includes Environmental Impact Statement and accompanying Record of Decision [<i>N/A for projects receiving a Categorical Exclusion or Finding of No Significant Impact</i>]			X	Project issued a DNS.
5	File includes evidence of public notification, as required:				
	a. State environmental decision memo received public notification or an announcement was distributed to a list of interested parties and agencies, as specified in the SERP		X		The project file indicates that Ecology did not public notice its concurrence or distribute it to a list of interested parties.
	b. The comment period was in accordance with state procedures		X		The state's environmental decison was not publicly noticed
	c. The state addressed all comments.		X		The state did not publicly notice the DNS and therefore did not receive comments.
1.5 Environmental Cross-Cutters					
[required for projects in an amount equal to the capitalization grant, including projects not subject to the SERP and projects receiving a categorical exclusion; for each item, either a finding of "no effect" by the State, or a concurrence letter from the applicable cross-cutting agency is required]:					
1	Endangered Species Act and Magnuson-Stevens Fishery Conservation and Management Act (essential fish habitat)				
	a. File documents state determination of "no effect" on endangered species and of protected habitat		X		Project file did not have an ESA/EFH determination. Follow up indicates this project did not do ESA/EFH. Since Ecology meets their cross cutter equivalency requirement without counting this project, they decided to put a note in the file documenting that this project did not meet all cross cutters and therefore will not be credited toward their cross cutter equivalency. Ecology completes cross cutters for 80 percent of their funding, which is how they have been able to consistently meet this requirement.
	b. File includes concurrence from US Fish and Wildlife Service or National Marine Fisheries Service			X	See previous comment.

Required Program Elements -Yakima (Loan #L1200019)

	Review Item and Question to Answer	Yes	No	N/A	Comments
2	National Historic Preservation Act				
	a. File documents state determination of "no effect" on historic properties	X			2004 Facility plan includes City of Yakima NEPA review, which concludes no effect on historic properties. Ecology concurred with Yakima's Wastewater Facility Plan, letter signed 10/26/05 by G. Thomas Tebb L.E.G., Section Manager, Water Quality Program.
	b. File includes concurrence from State or Tribal Historic Preservation Office	X			Consultation Letter from DAHP Washington SHPO, 4/5/2005.
3	Wild and Scenic Rivers Act				
	a. File documents state determination of "no effect" on wild or scenic rivers			X	project not used for cross-cutter compliance.
	b. File includes concurrence from appropriate Federal or State Agencies			X	See previous comment.
4	Coastal Zone Management and Coastal Barriers Resources Act				
	a. File documents state determination of "no effect" on coastal zones or coastal barrier resources			X	project not used for cross-cutter compliance.
	b. File includes concurrence from State Coastal Zone Management agency			X	Yakima is outside the Coastal Zone Management Area, 2004 Yakima NEPA Environmental Report, Section 3.7.
5	Farmland Protection Policy Act				
	a. File documents state determination of "no effect" on important farmland	X			Project is an upgrade to an existing facility and does not convert farmland to nonfarm uses; 2004 Yakima NEPA Environmental Report, Section 3.1. Ecology concurred with this Facility Plan/environmental review, letter signed 10/26/05 by G. Thomas Tebb L.E.G., Section Manager, Water Quality Program.
	b. File includes concurrence from appropriate State agency			X	See previous comment.
6	Wetland Protection (Executive Order 11990)				
	a. File documents state determination of "no effect" on wetlands	X			The project is not located in, nor will it affect a wetland; 2004 Yakima NEPA Environmental Report, Section 3.3. Ecology concurred with this Facility Plan/NEPA environmental review, letter signed 10/26/05 by G. Thomas Tebb L.E.G., Section Manager, Water Quality Program.
	b. File includes concurrence from appropriate State agency			X	See previous comment.
7	Flood Plain Management (Executive Order 11988)				
	a. File documents state determination of "no effect" on flood plains	X			The Yakima WWTF project site lies outside the 100-year flood plain 2004 Yakima NEPA Environmental Report, Section 3.2. Ecology concurred with this Facility Plan/NEPA environmental review, letter signed 10/26/05 by G. Thomas Tebb L.E.G., Section Manager, Water Quality Program.
	b. File includes concurrence from appropriate State agency			X	
8	Clean Air Act				
	a. File documents state determination of "no effect" on air quality	X			The Yakima WWTF project will have temporary impacts from potential dust and other emissions during the construction phase, 2004 Yakima NEPA Environmental Report, Section 3.3. Ecology concurred with this Facility Plan/NEPA environmental review, letter signed 10/26/05 by G. Thomas Tebb L.E.G., Section Manager, Water Quality Program.
	b. File includes concurrence from appropriate State agency	X			Yakima Regional Air Authority acknowledged that air quality impacts would be temporary during the construction phase, YRAA letter signed, 1/6/2005.
9	Sole-source Aquifers (Safe Drinking Water Act)				
	a. File documents state determination of "no effect" on sole source aquifers	X			Project is not in the vicinity of a designated sole source aquifer; 2004 Yakima NEPA Environmental Report, Section 3.6. Ecology concurred with this Facility Plan/NEPA environmental review, letter signed 10/26/05 by G. Thomas Tebb L.E.G., Section Manager, Water Quality Program.
	b. File includes concurrence from appropriate Federal or State agency			X	Since the project is not in the vicinity of a Sole Source Aquifer, no consultation is required.

Required Technical Elements - Yakima (Loan #L1200019)					
Review Item and Question to Answer		Yes	No	N/A	Comments
2.1 Bid, Procurement, and Construction Contracts					
1	File contains request for proposals or bid announcement				Published in Yakima Herald-Republic Project 2/1/12 and 2/8/12. Bid advertisement states bids are due on February 24, 2012, but the file contains bid proposal, which reads "The Bid Date has been changed. Bids will be received until 3:00PM Tuesday February 28, 2012. The location is unchanged."
		X			
2	File contains evidence that request for proposals or bid announcement was advertised according to state rules				Bids were due 3:00PM 2/28/12 (28 days), which exceeds the minimum requirement of 14 days as specified by WA state rules.
		X			
3	File contains a copy of specifications or construction contracts <i>[N/A if file includes documentation that specifications or construction contracts include all required socio-economic cross-cutters as listed in Section 2.1.4]</i>				Yakima bid tab for boiler replacement project City Project No. 2307A has three bids with Shannon Industrial Contractors, Inc. as lowest responsible, responsive bidder at \$828,500.00 (lump sum; no tax), 896,437.00 (lump sum; with taxes). Construction contract is for the boiler replacement-City Project No. 2307A-signed by Andy Hander, President, Shannon Industrial Contractors, Inc. on 3/14/2012 and by Michael Morales, Yakima Interim City Manager, City of Yakima on 4/9/2012.
		X			
4	File contains documentation that specifications or construction contracts contain the following required socio-economic cross-cutter language and forms:				
	a. Disadvantaged Business Enterprise (DBE) requirements				Fair share objectives, six good faith efforts, DBE contract administration, and DBE contract language included in the construction contract, Addendum 1, P.5: signed by Andy Hander, President, Shannon Industrial Contractors, Inc. on 3/14/2012 and by Michael Morales, Yakima Interim City Manager, City of Yakima on 4/9/2012.
		X			
	b. DBE forms 6100-2, 6100-3 and 6100-4				All 6100 forms completed, winning bid signed by Andy Hander, President, Shannon Industrial Contractors, Inc. 2/28/2012. No DBEs are being utilized.
		X			
	c. Equal Employment Opportunity requirements				Contractor's Compliance Statement (EEO) and non-segregated facilities certifications signed by Andy Hander, President, Shannon Industrial Contractors, Inc. 2/28/2012.
		X			
	d. Prohibition of federal funds for contractors or subcontractors who have been suspended or debarred by the Federal Government				Project file contains SAM.gov excluded parties search for the general contractor, Shannon Industrial Contractors, Inc to document they are not debarred or suspended. Borrowers submitted Form D, which certifies they have completed EPLS for any subcontractors included for any given disbursement request.
		X			
	e. Applicable EPA Davis-Bacon grant term and condition <i>[note: for projects using base CWSRF funds, Davis-Bacon requirements only apply to treatment works projects and publicly-owned decentralized treatment projects regulated by a NPDES permit.]</i>				EPA Davis-Bacon terms and conditions included in construction contract, Exhibit A -Addendum 1, Attachment 1, Pp.12-20: signed by Andy Hander, President, Shannon Industrial Contractors, Inc. on 3/14/2012 and by Michael Morales, Yakima Interim City Manager, City of Yakima on 4/9/2012.
		X			
	f. Applicable Davis-Bacon wage determination(s) <i>[note: for projects using base CWSRF funds, Davis-Bacon requirements only apply to treatment works projects and publicly-owned decentralized treatment projects regulated by a NPDES permit.]</i>				Davis-Bacon Wage determination not included in assigned section of the signed construction contract, Exhibit A -Addendum 1, Attachment 2, P.21: signed by Andy Hander, President, Shannon Industrial Contractors, Inc. on 3/14/2012 and by Michael Morales, Yakima Interim City Manager, City of Yakima on 4/9/2012.
			X		
5	For assistance recipients that are non-governmental entities: File includes documentation that state obtained and reviewed wage determinations prior to bid advertisements to ensure compliance with Davis-Bacon requirements				
				X	City of Yakima is a governmental entity.

Required Technical Elements - Yakima (Loan #L1200019)					
Review Item and Question to Answer		Yes	No	N/A	Comments
2.2	Reporting and Ongoing Compliance (* required section for repeat reviews)				
1	File includes information to support project data entered into the CWSRF Benefits Reporting (CBR) or DWSRF Project Benefits Reporting (PBR) databases	X			CBR checked by D. Carcia 4/15/2012
2	For SRF projects in amount equal to the capitalization grant, project file includes semi-annual DBE reports on subcontracting procurement [DBE form 5700-52A or equivalent] <i>[note: may be kept elsewhere]</i>	X			Project file includes DBE reports with every disbursement request on Ecology's required Form D. Ecology Fiscal aggregates these forms for their April 30 and October 30 semi-annual DBE report to EPA, as required by the capitalization grant.
3	Project file includes documentation from the assistance recipient indicating compliance with Davis-Bacon for each weekly payroll <i>[N/A for projects funded with non-ARRA funds prior to October 1, 2009]</i>	X			For calendar year 2012 and calendar year 2013(Q1) file includes monthly progress reports, which have a self-certification checkbox stating that the borrower is complying with the Davis Bacon requirements.
4	Project file includes Federal Funds Accountability and Transparency Act (FFATA) reports <i>[note: N/A for non-equivalency projects or projects funded with grants received prior to October 1, 2010]</i>	X			Yakima loan L1200019 credited toward Ecology's total FFATA equivalency for the FFY11 capitalization grant, or \$25,680,000, to meet the FFATA requirement.
2.3	State Inspections (*required section for repeat reviews)				
1	Project file includes copies of inspection reports prepared by the state or its representative	X			No inspection reports were found in the files provided for the day of the file reiew, however the Final Construction Surveillance Inspection Report was sent to EPA as follow up documention. Ecology engineering staff conducted this inspection on 6/5/2013 and central regional staff reviewed the inspection report on 6/6/2013
2	Inspections were performed at intervals in accordance with the state's procedures (e.g., monthly during construction, quarterly, etc.)	X			Ecology conducts inspections on a case by case basis, but tries to conduct at least two inspections per project, unless they deem more are necessary.
3	Inspection reports indicate project is in compliance with:				
	a. Davis-Bacon requirements		X		Davis-Bacon not part of this inspection checklist/report.
	e. Green Project reserve eligibility (when applicable)		X		Ecology determines GPR eligibility during the application phase.
4	All issues and concerns identified in inspection reports were adequately resolved	X			The report states: "Ecology inspected the boiler room, electrical room, compressor room, and digesters. all components of the project were evaluated as satisfactory." It also notes that the O&M Manual was submitted to Ecology for review and approval. Last payment to the contractor was 5/22/2013, but inspection report notes that city is withholding final payment to Cole International until some minor repairs are made on the electical control panel, but the report concludes that that "all electical systems are operating satisfactory."

Required Financial Elements - Yakima (Loan #L1200019)				
Review Item and Question to Answer	Yes	No	N/A	Comments
3.1 Financial Review				
1 File includes documentation of applicable review of assistance recipient:				
a. For CWSRF projects, a financial capability review <i>[note: in some states, N/A for projects receiving 100% principal forgiveness or grant]</i>	X			Application FP12025 signed on 11/4/2010 by Scott Schafer, Manager, City of Yakima Wastewater Division. File contains financial capability assessment for Yakima dated 1/3/2012. It reviews three years of financial statements 2008-2010, Wastewater Rate and Connection Charge Study from June 2, 2011, and audit reports for the past three years. Financial operations ratios to determine a community's financial ability to repay the CWSRF loan. No audit findings, it concludes that and average operating ratio of 0.87 is "a little higher than ideal," but no additional oversight needed, according to this assessment.
b. For DWSRF projects, a technical, managerial, and financial capability review	X			
			X	
3.2 Loan or Bond Purchase Agreement				
1 The loan agreement or bond purchase document:				
a. Is signed by the state and assistance recipient (record date in comments)	X			Loan L1200019 for \$3,054,264 was signed by Michael Morales, Interim City Manager 1/24/12; Kelly Susewind, Water Quality Program Manager, 2/16/12 and \$697,150 in principal forgiveness for a total of \$3,751,414.
b. Includes a budget and/or description of eligible costs				Part III, Project Budget, page 7, details eligible costs (\$16,801,652): \$400,000 for bio-gas analysis, \$549,0907 for design & construction of the grease receiving station, and \$1,398,559 for design and installation of new boilers, \$7,145,000 for design and install upflow anaerobic sludge blanket (UASB system), and 7,309,003 for design and install a bio-solids dryer.
c. Includes the interest rate	X			L1200019, Page 3 lists the interest rate as 2.6%.
d. Includes the fee rate [if applicable]				Ecology does not currently levy an administrative charge. New legislation passed May 1, 2013 provides Ecology authority to start including limited charges to outstanding CWSRF balances after the effective date of the new rule. This is expected to be early 2014.
e. Includes an amortization schedule or includes the repayment period and the date when repayments must begin <i>[N/A for projects receiving 100% grant or principal forgiveness]</i>			X	Attachment 8 repayment schedule: 20 year repayment term (30 semi-annual payments); first payment (P&I) is due on 9/30/2015; thereafter semi annual principal & interest payments due beginning 3/30/2016; L1200019, Attachment 8, Schedule Number 1716 (created 12/16/2011).
f. Includes requirement for the assistance recipient to submit Single Audit Reports <i>[note: N/A for non-governmental assistance recipients]</i>	X			L1200019, Part VII, P.12.
g. Requires the assistance recipient to maintain accounting practices in accordance with Generally Accepted Accounting Principals	X			Attachement 4, page 1: General Project Management Requirements includes- accounting standards/principles of Governmental Accounting Standards Board.
2 The assistance agreement's repayment period is in accordance with the state's policies and procedures:	X			State rule allows 20 years repayment loan term.
a. CWSRF: For loan agreements, repayment period does not exceed 20 years	X			See comment 3.2.1 (e) above.
b. CWSRF: For bond purchase documents, repayment periods exceeding 20 years are in accordance with a state extended term financing program approved by EPA			X	Ecology does not offer extended term financing.
c. DWSRF: If repayment period exceeds 20 years, the assistance recipient meets the state's definition of a disadvantaged community			X	
3 The loan or bond purchase document makes reference to:				
a. Davis-Bacon requirements	X			Attachment 4: General Project Management Requirements, Page 13- Requires compliance with Davis-Bacon [40 U.S.C. 55276a to 276a-5 (1994)] and contract inclusion of EPA Davis Bacon terms and conditions language contracts.

Required Financial Elements - Yakima (Loan #L1200019)				
Review Item and Question to Answer	Yes	No	N/A	Comments
b. Federal Funds Accountability and Transparency Act (FFATA) reporting requirements <i>[note: N/A for projects funded by non-Federal funds or Federal funds received prior to October 1, 2010]</i>	X			Attachment 4: General Project Management Requirements, Page 9 - requires loan recipient to complete the FFATA Data Collection Form and return it to Ecology. Ecology has credited \$25,680,000, or an amount equivalent to the FFY11 capitalization grant, to meet the FFATA requirements.
3.3 Single Audit Act compliance (*required section for repeat reviews)				
1 The assistance recipient is submitting Single Audit Reports <i>[note: N/A for a fiscal year if assistance recipients has not expended more than \$500,000 in Federal funds from all sources in the fiscal year, or is a non-equivalency project]</i>	X			Yakima has yet not filed a Single Audit Report for calendar year 2012 (it's not required until September 2013). Yakima filed the SFY2011 single audit on 9/20/2012. There were no findings.
a. The state ensured that the assistance recipient addressed findings and resolved any issues identified in a Single Audit Report			X	See previous comment.